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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Aganbegyan Evaluates Perestroyka, Suggests Further Measures

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[Article by A.G. Aganbegyan, Moscow: "On the Economic Lessons of Perestroyka"; submitted 15 August 1989]

[Text] The article examines the economic aspects of the perestroyka taking place in the country. It points out four main directions of the new strategy which has been developing since the April (1985) Plenum of the CPSU Central Committee. A critical analysis is offered of the achievements, shortcomings, and mistakes in carrying out the economic reform, and a program for economic recovery is proposed. The attention of economic scientists is called to the need for theoretical generalization of the results in conduct of the economic reform and for further theoretical developments.

We are now in the 5th year of the restructuring of Soviet society. All aspects of the life of society are undergoing revolutionary transformation, and among them we will examine one exceedingly important aspect—the economic reform.

Beginning with the April (1985) Plenum of the CPSU Central Committee, a new economic strategy has been gradually developing. It was indicated at that plenum in very general form: only its points of departure were presented. Then at the June (1985) Conference in the headquarters of the CPSU Central Committee on Acceleration of Scientific-Technical Progress the new scientific-technical policy, structural policy, and investment policy were formulated, and the course was adopted toward a radical technical reconstruction of the entire economy by using the advances of the scientific-technical revolution. The ideas of the April Plenum were developed at the 27th CPSU Congress, where the new social welfare policy was set forth in more detail, and an important conclusion was also drawn concerning the need to carry out a radical reform of administration. The tenets concerning democratization of our society and in particular the transition to self-government were worked out at the January (1987) Plenum of the CPSU Central Committee. The June (1987) Plenum of the CPSU Central Committee, which was devoted to the restructuring of management and the economic mechanism and which adopted the General Principles on the Economic Reform in Management, had pioneering significance. The first results of perestroyka in the economy were summarized at the 19th Party Conference, and support was given to the course directed toward development and intensification of the economic reform. Finally, the new agricultural policy was formulated at the March (1989) Plenum of the CPSU Central Committee.

When we examine all these and other decisions as a body, we can single out the following four main directions of the new economic strategy in the stage of perestroyka.

The first of them is the social reorientation of economic development, the redirection of all sectors of the economy toward man, toward fuller satisfaction of his needs.

A declaration has been made rejecting the residual principle for the allocation of resources to develop the social sphere. During the 4 years of perestroyka, capital investments in the social sphere have been increasing twice as fast as those in the sphere of production (the ratio was reversed before perestroyka). We have managed to overcome the negative trend in the reduction of housing construction (on a per capita basis this indicator dropped in the USSR 30 percent between 1961 and 1980) and to speed up housing construction (during the 4 years of perestroyka, the per capita volume of housing construction increased approximately 15 percent). The mortality rate has dropped somewhat, and average length of life has increased, whereas in the previous period, since the beginning of the sixties, the average length of life dropped from 70 to 68 years because of the rise in the mortality rate. The school reform that has been carried out, including reinforcement of the material base of the schools and a 40-percent average rise in teachers' pay, can be recorded among the assets of perestroyka.

A longer step forward in development of the social sphere is to be taken in the next FYP, the 13th. Housing activation is to increase from 650 million m² in the 12th FYP (550 million m² in the 11th) to 850-900 million m²; that is, the growth will double; incidentally, so will the health care budget. Expenditures of the state for social security will increase sharply in connection with adoption of the new pension law. A 1.5-fold growth is projected over the next 5 years for total capital investments in development of the social sphere, while investments in production projects would decrease.

Even deeper structural transformations of the economy are being proposed. At the present time, about half of the GNP (in world prices) consists of capital investments in production projects, the growth of physical resources, and military expenditures, and only half remains for the share of consumption. Within that portion of the GNP, social consumption funds (OFP) take up substantial room (about one-third), so that a quite small portion of the GNP is left for the personal consumption of the population. For the sake of comparison, we would point out that in other countries that portion of the GNP is equal to approximately 60-70 percent.

Because of the distorted structure resulting from the residual principle, less than one-tenth of capital investments were allocated for the production of consumer goods and the sphere of paid services for the public, while the lion's share went for the development of heavy

industry, above all its raw materials branches. Those raw materials were then used wastefully and not intensively, and thus the resources of the people were largely "buried in the ground" in the true sense of the word, without yielding a benefit.

A "theoretical" basis was inserted beneath all this in the form of the notorious law of the necessity of the predominant growth of production of means of production as compared to the production of consumer goods. The course was accordingly followed of holding back the development of light industry and the food industry, which were considered secondary branches. They mostly had very old equipment, the lowest wages were paid, and they had the scantiest supply of housing. Nor is it an accident that the relative share of production of consumer goods in Soviet industry was about 25 percent, whereas in other countries it is 35 percent or higher.

This profound antisocial deformation of our economy, oriented in the past toward production-resource priorities, had the result that the standard of living of our people was not in line with the economic might of the USSR, the level of development of science and technology, and the level of education of the public. We could live 1.3-1.5-fold better if at the level of productive forces that has been achieved the structure of the national product were normal.

One of the most important objectives of perestroika is to change the present situation, to improve people's lives, to reorient structural policy and investment policy toward social welfare. Even now the redistribution of resources, including capital investments, has begun on behalf of light industry and the food industry and other groupings producing consumer goods. For the first time, large earmarked credits have been taken in West Germany, Italy, and a number of other countries to acquire equipment for these branches for their radical reconstruction and expansion and to bring them up to the present-day technical level. While the production of arms in the USSR has dropped 19.5 percent over the last 2 years and military production has been undergoing conversion, plans are to increase the share of civilian products manufactured by enterprises in the military-industrial complex from 40 percent in 1988 to 46 percent in 1990 and 60 percent in 1995. Here, we can expect the share of military expenditures in the country's national income to decrease further by between one-third and one-half during the next FYP. A sizable portion of the capacity of defense enterprises is being committed to manufacturing equipment for light industry and the food industry and to expand the production of consumer goods for the public.

While an overall decrease in capital investments in construction projects is projected over the next FYP, the volume of capital investments in the food industry and light industry would increase 1.5-2-fold. The share of capital investments in production and of military and other expenditures in the GNP would by the end of the FYP drop from 50 to approximately 35-40 percent,

while the share of consumption would increase correspondingly from 50 to 60-65 percent (in prices reflecting socially necessary expenditures).

Plans call for an annual increase in food production of approximately 5 percent in connection with conduct of the new policy in agriculture and transformation of the economic system in rural areas. Nonproduction consumer goods would increase at an annual rate of 7-8 percent and would increase at least twice as fast as output of heavy industry. The sphere of paid services, which in the years of perestroika has been growing at an annual rate of 10 percent, will also grow faster, and its share in the GNP will increase.

The second direction of the new economic strategy is the course toward increasing efficiency and quality through acceleration of scientific-technical progress. The reference here is to a radical change of the structure, factors, and sources of economic growth. Before perestroika, two-thirds of it resulted from augmentation of production resources, i.e., was accomplished extensively, while only one-third was brought about by intensive factors, by increasing the efficiency of utilization of these resources. In the 11th FYP, when the GNP grew 3 percent, the annual growth rate of the labor force employed in the production sphere was 1 percent, that of the consumption of fuel and raw materials was 2 percent, and that of social consumption funds was 6 percent. The saving on social labor achieved thanks to the 2-percent annual growth rate of the productivity of social labor and the 1-percent annual reduction of rates of consumption of fuel and raw materials were largely offset by an immense overexpenditure resulting from the 3-percent average decrease in the output-capital ratio.

In evaluating the real situation, we need to take into account that official indices, although they have been calculated in so-called permanent prices (as a matter of fact, the process of concealed inflation is not reflected in them), do not fully correspond to reality. In fact, real economic growth has been close to zero, and a stagnation of the economy has been observed.

The predominantly extensive economic growth inevitably caused a drop in rates of economic development and a deepening of the disproportions. The larger the growth of the volume of resources produced, the less effectively they were utilized, the more money was diverted to produce and process them, and less and less capital investments were left for social development.

That is why the reorientation of investment policy indicated above is organically bound up with the line of policy of all-out intensification of the economy. But it presupposes a turn from quantitative volume indicators to a growth of qualitative indicators reflecting the product's efficiency and competitiveness. Untapped potential in economic organization and opportunities related to strengthening material motivation, improved organization of management and mobilization of social factors are the most accessible means of an additional rise of the

product's efficiency and quality. It is very important to fight mismanagement and wastefulness directly. But these resources are naturally limited, and that is why scientific-technical progress is the main instrument for intensification.

It is a complicated and contradictory process, one that includes both an evolutionary component characterizing improvement of present equipment and technology, and also a revolutionary component that consists in the replacement of generations of technology and the transition from old to fundamentally new technologies. When the extensive development strategy was predominant, the evolution of equipment and technology was usually sluggish. For example, one model of old trucks was manufactured for more than 25 years (ZIL, GAZ, and so on), although over that period they were modified somewhat and their performance characteristics were improved. Productivity rose slowly, and as a rule was accompanied by a drop in the output-capital ratio.

If the intensification of social production is to be achieved, emphasis has to be put on the revolutionary aspect of scientific-technical progress, and the transition has to be made to large-scale updating of products, of the technical base of production, and of technological systems. And here everything turns on the production of machines, equipment, and instruments.

During extensive development and evolutionary technical progress, civilian machinebuilding was "kept down." Only one-twentieth of all capital investments were committed to its production, while the rest went to the branches for which these machines and equipment were being built. As a consequence, the technical base of the economy became progressively older. Many branches attempted to make the transition to supplying their own machines and equipment and to making large-scale machine and equipment purchases abroad, but this did not save the situation.

Perestroika required a new investment policy and structural policy with respect to machinebuilding. Whereas in the 11th FYP, capital investments in machinebuilding (including electronics) increased 24 percent, in the 12th they doubled. At the same time, most of their growth went for radical technical reconstruction of machinebuilding enterprises: replacement of equipment and processes, which will make it possible to switch to the production of new designs.

In 1985, a survey was conducted and an evaluation made of the products produced by machinebuilding. It turned out that 71 percent of the machines, equipment, and instruments did not meet present-day requirements. But in that year only 3.1 percent of the products were updated in civilian machine building.

In accordance with the large program for technical retooling and development of machine building, even in 1988, 9.8 percent of its products were withdrawn from

production; in 1990 this indicator is projected at 13 percent, and in the next FYP it is to increase to 15 percent.

The strategy is first to begin the volume production of efficient and up-to-date equipment and on that basis carry out technical reconstruction of all sectors of the economy, which will further the tasks of perestroika.

The third direction in perestroika—the economic reform of administration and management—is the most important: all the rest depend upon it.

It is a question of replacing the command-administrative system by a new economic mechanism based on a developed market, appreciation of economic interests, material motivation, and work incentives.

For 3 years, preparations have been made for the transition to the new economic conditions, whose foundations were laid down by the Law on the State Enterprise (Association), the Law on the Cooperative, and the Law on Self-Employment. Although in that time quite a few scientific development projects and experiments were conducted in the introduction of specific elements of management, on the whole the transition to the new economic conditions following adoption of the laws was carried out in haste and confusion and abounded in serious shortcomings and mistakes which are now having to be paid for and which will have to be corrected in the very near future. These mistakes are mainly related to wrong decisions about transition from the old system to the new. This applies above all to state enterprises and organizations. The idea was to grant broad economic independence to basic production units in the economy. The recommendation was rightly made that enterprises make the transition to full cost accounting, self-financing, and self-management.

In fact, the rights of enterprises were sharply restricted from the very outset, and the rights of ministries and central authorities were broadened at their expense. The apparatus took revenge for its defeat in development of the strategy for economic development, when advocates of the new democratic economic mechanism based on the market and development incentives won out.

I would like in this connection to touch upon a more general and fundamental question—the antagonism between the two tendencies in the course of perestroika. Earlier, it was thought that there were advocates of perestroika and conservative forces were its opponents. But now it is quite clear that there is no way back; perestroika has to be continued and developed. And at this point two different approaches to it have been observed with ever increasing clarity. One approach—the evolutionary approach, which includes partial improvement carried out under the sponsorship and respectful of the interests of the administrative apparatus—can be called apparatus-oriented perestroika. The other is the revolutionary approach on a democratic basis, when the broad masses of people become involved

in perestroyka, and this is furthered by the reform of the political system that is being carried out.

The laws on the enterprise, on the cooperative, and others have as a rule been adopted following nationwide discussion. The scientific community was called upon in drafting them, but they were implemented "apparatus-fashion." And the apparatus, to advance its own departmental ambitions, has largely been distorting the essence of these laws. Let us recall, for example, the way the Law on the Enterprise was put into effect. It was adopted in July 1987. So that enterprises would really be granted independence as of 1 January 1988, the system of directive planning had to be radically altered along with the functions of Gosplan, central economic departments, and all branch ministries, since, pursuant to the law, they were to be deprived of the right of petty interference with enterprises.

In actuality, this was not done. Using the phraseology of the new law, they incorporated the old negative content into the progressive form. The former directive plan which consisted of targets that were direct commands as to "what was to be produced by whom" took on the form of state orders, which encompassed about 90 percent of all industrial output. Verbally, this was an order in the sense of a request, but actually it was an order in the sense of a command, just as it had been earlier. The request-order has two parties: the customer and the contractor between whom a contract must be concluded with the mutual accountability of the parties. Nothing of the kind was introduced, and the so-called customer was a state agency that actually was in no way accountable for anything, just the way it was in the context of the directive plan. After all, the request-order originates with the person who is in need, i.e., the consumer or his representative. The whole point of the directive plan is that it is issued by the superior organization to the organization at a lower level. In 1988, the state order preserved the procedure of the directive plan. It was not kolkhozes and sovkhoses who were ordering tractors and agricultural machines, but rather the Ministry of Tractor and Agricultural Machinebuilding issued to subordinate plants a state order for the production of tractors, combines, and other agricultural equipment. And when it turned out, for example, that kolkhozes and sovkhoses were not buying the Krasnoyarsk combines produced under that kind of order, the enterprise got into a serious financial situation. Minskhoz mash bore no responsibility whatsoever for the unsubstantiated order, nor could it have done so.

The standard economic rates, which were another new category of the Law on the Enterprise, received still worse treatment. The idea was that these standard rates, in particular, the standard rate of the deduction from profit into the budget, would be established at the union level and uniform for all enterprises. In actuality, the right to set this and a number of other standard economic rates was granted to every ministry individually, and they adopted higher rates for enterprises performing well, taking away the profit they had earned, and low

rates for those performing poorly. What is more, in many cases, these rates were set mechanically, by means of arithmetic operations with the directive assignments of the plan for the profit of enterprises, the contribution from that profit to the budget, and so on. As a consequence, there was little change, and the best enterprises ended up in the worst position. In order to compensate somewhat for the higher proportion of profit taken away from them, the indicator of above-plan profit, a substantial portion of which was left at the disposition of enterprises, was introduced. However, under the Law there should not have been any planned profit whatsoever established from above. So, they "clipped the wings" of enterprises performing well, and they largely deprived them of incentives for development.

As for the standard economic rates regulating wages, when the transition was made to the new economic conditions as of 1 January 1988, they were simply left the way they were at enterprises in the previous period. But those standard rates had been sent down to enterprises under different economic conditions, when they did not have that kind of independence, and they proved to be largely unsuccessful. For example, in the construction sector the standard rate for the formation of wages was set as a function of the volume of construction and installation work. This drove construction contractors to broaden the number of construction projects, and the volume of unfinished construction actually began to rise.

In industry, the wage fund continued to be formed as a function of the dynamic behavior of normative net output—a very iffy indicator, a very questionable indicator, or marketed output. Both of them are influenced by shifts in assortment, cooperative deliveries, and price relations. In many cases, the base indicators could rise and bring about a growth of the wage fund independently of the actual results of economic activity. What is more, the material incentive fund formed on the basis of the standard rates of deductions from profit could also increase because of price shifts and changes in the product mix. As a consequence, in actuality the dynamic behavior of wages went out of control. Their rise, if the increasingly larger payments from the material incentive fund are taken into account, began to considerably exceed the rise of labor productivity, and from month to month in 1988 we can see the growth rate of wages increasing more and more, and for the year—in January-February 1989—its growth was 14 percent, i.e., 3-4-fold more than set down in the plan. This was one of the important reasons for the creation of excess money not backed up with consumer goods and paid services.

The standard rates established in light industry were especially unfounded. The budget took away most of the profit of its enterprises, leaving no funds for expansion of production, incentives, or social development of the collectives. Meanwhile, the population was in extreme need for a growth in the production of consumer goods. And to somehow alleviate the mistake of taking away the bulk of the profit from Minlegprom, these enterprises were allowed to adopt the code letters "N" (innovation)

and "D" (negotiated price) for products which could be sold at a higher price, the addition to the price then being applied to additional profit of enterprises. This procedure helped to raise prices of the products of Minlegprom.

In summing up what we have said, we note that the transition to the new economic conditions was accompanied by serious mistakes along all lines, and that is why the anticipated economic benefit from adoption of the new conditions was not realized. On the contrary, the result was a substantial overexpenditure of wages, which aggravated the situation on the consumer market.

Now we face the need to restore the economy to health and to go back to the proclaimed principles, to develop the economic reform further, and to deepen it.

In the First Congress of People's Deputies and the First Session of the USSR Supreme Soviet, there was lively discussion: What is to be done in the economy under present conditions? The discussion centered on the pioneering drafts of new laws on property, the enterprise, leasing, land use, etc. Corrections were adopted to the Law on the Enterprise expanding the economic rights of enterprises. In the Baltic republics, they intend to make the transition to regional cost accounting (*khozraschet*) and independence beginning in 1990. The decision has been made to raise the standard of living of indigent strata of the population, above all pensioners. Adoption of the plan and state budget for 1990 had very great importance. The measures adopted will partially improve the situation in the country's economy, but they are not radical in nature and are not capable of restoring the financial system to health or of overcoming the financial crisis, which is the most acute manifestation of the economic difficulties in our country at present.

Elements of a program to improve the country's economy have recently been in the works in Gosplan, Minfin, the Economics Department of the USSR Academy of Sciences, and other organizations. I would like to call attention to the main lines of its upcoming treatment.

The most important issue is achieving balance on the consumer market and bringing down inflation. One of the main sources of imbalance is deformation of the State Budget, where expenditures exceed revenues by about 90 billion rubles (anticipated in 1989), which increases the means of payment in the economy not covered by goods and results in devaluation of the money. Performance of an interrelated system of measures is seen as the way out of the situation that has been created.

First, the growth of wages and personal money income as a whole is to be placed under state control. To that end, the USSR Supreme Soviet has adopted an important decision on transition to new regulation of the fund for remuneration at enterprises by establishing progressive taxation on the growth of that fund.

Second, some kind of net has to be thrown over the money held by individuals. This can be done by increasing incentives to save, by floating profitable loans, through large-scale use of resources of individuals to improve housing conditions and rest and recreation, to develop garden plots and cottage lots, to expand the production and sale of machines, home computers, video equipment, expensive durable consumer goods and housewares, and garage construction. Special certificates can be put on sale which would give the owner the right, after waiting for the time stipulated in the certificate, to improve his housing conditions, to buy a motor vehicle, to install a telephone in his apartment, to acquire a garage, and so on. These certificates could be sold to the public a number of years in advance, and their value could be returned to the owner at any moment in a savings bank, but then, of course, he would lose his turn to purchase the material goods in question. According to the calculations, this method could "tie up" 100-120 billion rubles of excess money held by individuals.

If more housing is to be built for sale to the population, more garages, if the infrastructure is to be prepared for the garden plots and cottage lots to be allocated, if the construction of new automobile plants, vacation facilities, telephone offices, and so on, are to be built, it is advisable even in the very near future to cut back the volume of capital investments in production projects by approximately 20 percent, above all in the category of centralized investments.¹ Out of the 25 billion rubles of the reduction of the volume of capital investments to expand housing and other construction in the interests of the public, approximately 15 billion rubles a year are needed, and the building materials made available can be sold to the public for private construction.

Third, there will have to be a substantial acceleration of the growth of the volume of production of foodstuffs and industrially produced consumer goods and also of the sphere of paid services, along with an improvement in the quality of these goods and services. In addition to the major, administrative measures adopted to expand the production of consumer goods, including production at enterprises of the defense industry and heavy industry, this will require major steps to provide economic incentives for the manufacturing of consumer goods. Such incentives have in part been determined; for instance, the growth of the fund for remuneration is exempted from taxation under the new rules with respect to that portion that represents the production of consumer goods. But in our view we need to go further and leave a portion of the "lively" money from sales of additionally produced consumer goods and services with collectives of enterprises and organizations that produce them. On a broader scale, we should adopt a special economic mechanism for particular stimulation of the output of these goods and development of the service sphere.

Fourth, imports of nonfood consumer goods should be doubled, bringing their share in total imports up from 15 to 30 percent. This can be done by reducing other import

items (metal products, certain types of equipment), but not through additional credit, since the USSR's foreign economic debt is already too large. As is well-known, the government is outlining such measures for 1990.

Out of the foreign exchange to acquire consumer goods and those Soviet-manufactured consumer goods in the shortest supply and equal in their characteristics to those abroad, it would be possible to form a special commodity fund for the population in the amount of 60-80 billion rubles per year (15-20 percent of the total volume of retail commodity sales), and these goods could be sold to the public on a democratic basis through catalogues. Within the limits of the allowance, every family would be able to order foreign goods or the best Soviet goods from the catalogue (for example, 800 rubles a year for a four-member family). If the goods are expensive, the family could accumulate their allowances for 2 or 3 years. This procedure for the sale of imported goods will make it possible to ensure equal conditions to all inhabitants of the country and if possible to avoid speculation in those goods.

Another measure to combat speculation might be a broader transition to noncash settlement, whereby, say, any purchase costing more than 100 rubles would be purchased with checks made out to the recipient. Then it would not be advantageous for people to have large amounts of cash on hand, since to have the checks, they would have to keep this money in the bank. Wages and other money would be paid mainly in the form of checks. Of course, in this case it is especially important to implement more rapidly the government's intentions to raise interest rates in savings banks and to float a loan advantageous to the population.

In our view, the entire aggregate of these measures will make it possible to make the transition to a balanced market in approximately 3 years, to overcome the "flight from money," to eliminate the universal shortages and achieve tangible results in improving the material supply for people's lives. At the same time, the level of inflation can be reduced from the 1988-1989 level (half of the devaluation of the money indicated is occurring because of the rise of prices, and half because of accumulation of excessive money for which there are no goods)—from 8-9 to 4-5 percent.

All of these directions simultaneously promote better balance of the state budget. On the one hand, there will be a substantial reduction of capital investments in production projects, above all centralized investments. There will also be reductions on the expenditure side in connection with the decisions made to reduce military expenditures, the costs of maintaining the administrative apparatus and subsidies to enterprises operating at a loss. On the other hand, there will be a quite significant growth in revenues of the state budget because of expanded trade in consumer goods, above all nonfood industrially produced goods and imported goods, which yield substantial deductions on the basis of the turnover tax. The floating of loans and the sale of certificates "is

tying up" personal money and translating the state debt into a more manageable form.

If we might put it this way, these are all extraordinary measures of the first importance aimed at overcoming the financial crisis. Their performance and the transition by and large to a balanced consumer market and low-deficit budget will make it possible to begin to shape a market saturated with goods and services in accordance with the demand of the public.

The problem of retail prices advances into the foreground here. As we know, we now have an extremely deformed system of retail prices in which the prices of meat products, dairy products, and grain products assume a planned loss, and the state budget constitutes more than 70 billion rubles a year, while many prices of industrial goods are disproportionately high. The reform of retail prices could be accomplished simultaneously by a rise, say twofold, of prices of that group of foodstuffs on which there are losses, while at the same time they would be reduced on certain industrial goods and the public would be compensated the additional expenditures involved in the price changes. And although this kind of measure could be carried out so that the standard of living of the population did not drop, still, as shown by discussions of the problems of the price reform, in recent years a sizable portion of the public has come out against a simultaneous rise of prices. The opinion of most people will possibly change after the market is set to rights and confidence is restored in the state in this respect.

Another way is through gradual evolution of retail prices, bringing them closer to the price relations in other advanced countries, above all those in Europe. In both cases, there needs to be considerable decentralization of the retail price system, leaving rigid state controls in place only on the basic articles of life. At the same time, of course, the annual price level will rise somewhat under the influence of demand and supply, while equilibrium of the consumer market would be preserved. Under those conditions, the problem of developing and implementing an anti-inflation mechanism would be advanced into the foreground.

As the transition is made to the new 5-year planning period beginning in 1991, it would be logical for the 5-year plan to include and to have linked to its indicators a new system of prices, standard economic rates, taxation, and incentives for enterprises and organizations. The entire economic mechanism of the 13th FYP should in our view be anti-inflationary, guaranteeing a reduction of the deficit in the state budget, the transition to commercial credit with sound interest rates, maintenance of sufficient incentive to save and form capital, strong incentives to expand production and improve the assortment of consumer goods and services, while at the same time increasing their quality. State regulation of the dynamic behavior of prices, of the formation of wages and other income so as not to allow financial disproportions needs to be set up.

The key question in the conception of the future economic mechanism is that of shaping a developed market. Only with such a market can production be actually subordinated to the demands of consumers and oriented toward satisfying the needs of society. Under the conditions of decentralized distribution of resources, disproportions are inevitable, since the dictate of producers over consumers is preserved. In this case, production is detached more and more from the needs of society and becomes self-sufficing and begins to work toward its own expansion. The intermediate part of the social product grows, devouring more and more resources at a very low level of efficiency and with little influence on consumption and social development.

A scarcity economy cannot be efficient by definition, since efficiency in a socialist economy means completeness of satisfaction of the needs of society. By means of the market, it is possible to improve the structure of production in the USSR and the quality of products, to force enterprises to work to satisfy the demands of consumers. Here are some estimates that allow one to judge how large this untapped potential is: at least one-fourth of output seems to be produced in our country to no purpose from the standpoint of final consumption. It is difficult to explain why we need fivefold more tractors than the United States, where the total volume of cropping is substantially smaller; why we should be manufacturing twice as much steel when the volume of end products in our country is approximately half as great. What we have said applies all the more to cement, reinforced concrete, and many other products. We often produce an immense amount of equipment which is subsequently hardly used at all. For example, even on workdays 37 percent of the trucks do not go out at all, and the rest operate less than two-thirds of the time on two shifts and then stand still for 3 hours out of 9, and when they do move, nearly half of the time they are empty; and when they do carry something, on the average this is approximately 70 percent of their capacity. The situation is still worse in use of the stock of machine tools, which is twice as large as that of the United States. The average machine tool operates only about 5 hours per day, if one is to judge by the energy cost, that is, the real work. And there are entire branches and spheres where machine tools operate an average of 2-3 hours per day.

Another portion of output is not produced in the assortment, the full complement, or with the performance characteristics which consumers really need. Their quality does not meet the social need, and that is why the consumer is often forced to remake a product he has purchased, adapt it, or simply use it at low efficiency. What we call a bulldozer and is intended for construction work is actually a tractor with a mounted blade and does not meet the requirements of builders or world standards for bulldozer equipment specifically created for a certain type of operation. One could give hundreds and thousands of such examples.

So that a developed market means increasing the efficiency of our entire economy, its dynamism, reorientation toward satisfaction of the needs of society and above all people. If a market is to be created in place of the distribution of resources and the products produced, there are two problems we have to solve in advance: one of them is to bring the circulation of money into conformity with the circulation of material goods, since even here, in the sphere of noncash settlement, the volume of means of payment exceeds the production capabilities of enterprises to offset them with commodities, and this is what gives rise to scarcity. In addition to measures to reduce the budget deficit, it is important toward that objective to complete the reform of the banking system and to make the conversion everywhere to commercial credit with sound interest rates, since excessive credit money also creates a surplus of means of payment.

The second measure is to reform wholesale prices in industry and purchase prices in agriculture. In the course of this reform, the price level and price relations have to be brought closer to those of the rest of the world and all pricing decentralized, preserving in the form of state prices only those for certain means of production, for example, electric power, petroleum, and so on. Other prices could be formed on the market. A simultaneous price reform eliminates the distorted nature of the price system and its inherent glaring disproportions. In the course of the reform of industrial prices, prices of fuel and raw materials should approximately double; in the USSR, they have been greatly depressed from the level of world prices, which is holding back resource conservation and distorting the efficiency of economic activity as a whole.

What is more, the price reform is in essence a reform of pricing, since it radically alters its very process, makes it more flexible and decentralized; the prices of most goods seem to be destined to float independently as a function of the dynamic behavior of the costs of these products and the changes in supply and demand.

If vigorous measures are carried out to put order in the circulation of money and a radical reform is carried out of prices and pricing, then even in the early years of the 13th FYP we will have the market of which we have been speaking. As the production structure adapts to demand, fewer and fewer products will be distributed centrally, and by the end of the FYP a majority of the goods produced will be purchased and sold on markets.

In addition to a commodity market, a money market is to be created (or capital market, as they term it in the West), including an investment market. This will be promoted by the bank reform which is being carried out in our country. Instead of the three state banks which before perestroika actually distributed planned money, six major specialized banks have now been organized along with about 150 commercial and cooperative banks. Gradually the banks are making the transition to self-financing; credits are becoming commercial credits to an ever greater degree. At the present time, a law is

being prepared under which USSR Gosbank would be assigned the role of the bank of banks, of supremacy in this system from the standpoint of regulating credit policy, interest rates, and other spheres of their activity, above all by economic means. Reduction of the volume of capital investments in production projects and the corresponding reduction of construction will create favorable conditions for balancing the volume of investment with the capacity of construction organizations and resources for construction, thereby opening up an opportunity to form an investment market. The reestablishment of sound prices for the product of construction also has great importance here.

Gradually, a securities market will also be formed in the USSR. We mentioned above loans advantageous to the public and the issuing of state certificates. In the future, stock-holding forms of activity of our enterprises and cooperatives will take on immense and ever growing importance. And the point lies in the need not only to find an effective mechanism for redistribution of resources in the economy, which is done by means of the buying and selling of shares of stock, but also through stock assigned to a particular person that would be sold to the workers of the enterprise itself, making the worker its owner, involving him more actively in management, and giving him motivation for the enterprise to operate profitably. At first, it seems, stock-holding activity will be subject to a number of restrictions, it will be allowed to sell stock only to workers of the enterprise or those which have ties with the enterprise issuing the stock. These shares of stock might be assigned to a particular person and would not be for sale generally. Stock of enterprises and organizations that can be acquired by banks, which would be more freely negotiable, which would be quoted on the market, and so on, will also be developed.

The importance of the manpower market is increasing. In the years of perestroika, the growth rate of labor productivity has risen, and for the first time in the history of the Soviet economy a process has begun of absolute reduction of the number of persons employed in physical production. This process has intensified with acceleration of scientific-technical progress and structural shifts, and the size of the labor force employed in industry, construction, transportation, and agriculture will decrease by 1.5 million persons or more every year. A complicated and difficult problem arises with the job placement and retraining of the workers displaced, especially in regions which today have a surplus of labor. Here, we need not only to strengthen job placement authorities at the local level and create personnel training centers financed by the state, but also to conduct a purposive policy for creating new jobs, above all in the service sector. At the present time, the share of persons employed in this sphere is one-third of the entire labor force, while in the advanced capitalist countries it is two-thirds.

We have an acute need for a foreign exchange market. With it, we could guarantee the so-called domestic

convertibility of the ruble, which means that Soviet enterprises and organizations and then cooperatives and individual citizens would be able to exchange rubles for convertible currency or vice versa at the official rate of exchange (which will vary as a function of various circumstances). Various restrictions are possible here, especially in the early going, but creation of such a market will be an immense step in the direction of rounding off domestic cost accounting with the ability of our enterprises and organizations, which now have freer access to the world market, to achieve a net gain in their foreign exchange transactions.

The first step toward forming this foreign exchange market will evidently be currency auctions which will be held periodically under the sponsorship of Vneshekonombank, where it will be possible to exchange currencies at the existing market prices.

The need for a developed market and the impossibility of solving the economic problems that have come to a head without it are one of the most important lessons of our perestroika.

In conclusion, I would like to turn the attention of economic scientists to the importance of the thorough study of the experience with perestroika that already exists in the USSR and the experience of carrying out economic reforms in other countries. V.I. Lenin said that science does not need dogma, but facts. It is the study of the totality of the facts of actual reality and their summarization from scientific positions that will make it possible to gain a more profound understanding not only of the direction, but also of the causes of the trends that have formed and that will suggest a way of improving the economic situation.

We are, of course, not carrying out this effort without anything or anyone. In many economics institutes, important scientific spadework has already been done and there are highly qualified specialists. The problem is to make full use of the potential that has built up, to strengthen it, and expand it.

In this article, I have touched on one of the economic lessons of perestroika, and there are many other important issues. The central one among them is the limits of state planning and regulation of the economy, the means and methods which the central authority can use to influence the course of economic development, increasingly subordinating it to the interests of the Soviet people. This question needs to be answered not in terms of abstract theory, but in terms of specific possibilities.

Another important scientific problem to which I would like to call attention is the social mechanism in the economy, which is related not only to the economic interests of entities carrying on economic activity, but also to their social orientation, the social system of values. Here, we need a coalition of economists, sociologists, lawyers, and representatives of the other specialties in the humanities. The very first efforts in economic sociology performed under the direction of T.I.

Zaslavskaya, member of the academy, have drawn attention not only here in our country, but also abroad.

It is also very important that economists join up with representatives of the natural and engineering sciences, with engineers. It would be incorrect to consider the economy the business of economists alone. Solving many of its problems requires the professional knowledge of representatives of other sciences. After all, it is often research along the borders between them that affords the most significant results.

There are quite a few problems facing the science of economics. Economics institutes of all the union republics need to be enlisted to work on the foundations of a new regional policy. The transition to regional cost accounting, to the economic independence of the republics, to local self-government is just beginning, the priorities in the all-union regional strategy have not been altogether defined, nor are its means and methods altogether clear.

And finally, the age-old problem of economic science, but now refracted through new conditions: What are the driving forces, factors, and sources of socioeconomic development, the inner springs that bring about economic growth, the conditions which grow to become barriers, and how are incentives for self-development to be used?

Answers cannot be made to these and many other questions solely on the basis of our own experience, ignoring the achievements of world science. We have lived and worked too long in considerable detachment from world economic thought. Many of our economists have not mastered foreign languages, and the works of major foreign scientists are inaccessible to them. The flow of translated economics literature still remains scanty. The works of the outstanding scientist J. Kornay concerning the scarcity economy are coming out after a very long delay, and yet he is a brilliant representative of a Hungarian school of economists close to us. What is to be said about the epochal works of M. Friedman, winner of the Nobel Prize, and other major Western scientists? And the research of outstanding economists of the developing countries, with their fundamentally new approach to problems, including people like R. Prebisch (Argentina)?

A unique opportunity is now presented to bring our scientists in touch with the world stock of economic science. Full use should be made of it.

Footnote

1. The government's proposal (the speech by Yu.D. Maslyukov in the First Session of the USSR Supreme Soviet) to reduce capital investments in production projects by 30 percent, including a 40-percent reduction for the fuel and energy complex, is seen as unrealistic in the 1990 plan.

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Socialist Enterprises Law Goals Viewed

904A0279A Moscow *EKONOMIKA I ZHIZN* in Russian No 13, Mar 90 p 13

[Interview with Nikolay Grigoryevich Bobritskiy, member of the USSR Supreme Soviet Commission on Questions of Economic Reform, by Ye. Lukin: "A Law for the Sake of the Cause"]

[Text] Work of the Third Session of the USSR Supreme Soviet continues in the Kremlin. The deputies have to discuss and pass the Law on Socialist Enterprise, for which hundreds of labor collectives are impatiently waiting. What kind of law will it be?

Our correspondent talks about this with Nikolay Grigoryevich Bobritskiy, member of the USSR Supreme Soviet Commission on Questions of Economic Reform. Our newspaper has more than once granted him the floor and also written about the experience of economic management at the "Bobruyskshina" Association, where 1 year ago Nikolay Grigoryevich worked as deputy general director for economics.

[Bobritskiy] Recently I was home in Bobruysk. I went around to several enterprises and met with workers, economists, and engineers... The impressions varied widely. For example, at some enterprises I encountered people taking a waiting position—they were in no hurry to demonstrate aggressiveness or initiative in developing new forms of economic management.

[Lukin] But, after all, passive waiting today is hardly appropriate. This year, according to the government's concept, should indeed be crucial...

[Bobritskiy] And for this it is extremely necessary, first of all, to develop lease relations in industry. But until leasing gets going, as they say—without knowing the basic provisions of the new system of taxation, labor collectives cannot assess the advantages and disadvantages of this form of economic management. Secondly, we need laws on socialist enterprise, on associations, and on competition, and we need anti-monopoly legislation... That is, we need to search for ways to intensify entrepreneurial activities. If we do not find them and do not create a real environment for developing enterprise, the economic situation in the country will worsen.

[Lukin] I know that several versions of the draft Law on Socialist Enterprise have been prepared. And you are in the group of authors of one of them. What conceptual problems need to be resolved in this law for it to give economic reform a powerful impetus?

[Bobritskiy] In my view, there are two such problems. The first is that the law should clearly advance the idea of independence of an enterprise and that it is not subordinate to anyone vertically. The problem of subordination must be resolved not by administrative means but only through economic and partnership relations.

The second is that all enterprises—state, joint stock, cooperative, and others—should appear in equal “weight” classes. And the law will ensure equality of legal conditions, and introduction of a new system of taxation will ensure equality of economic conditions. In my opinion, singling out the state enterprise as the main type, as is provided for in the law drawn up by the government, makes no sense. It is another matter if the state establishes unequal tax levels for various types of enterprises.

[Lukin] Does it not turn out that enterprises end up in different conditions anyway?

[Bobritskiy] Yes, but in this sense. A different level of taxes must be compensated for by greater freedom of actions and breadth of enterprise. If the state gives an enterprise unlimited freedom of undertakings, it can “wait” for it with a tax.

[Lukin] Let us assume. But if an enterprise is not subordinate to anyone and bears no responsibility to anyone, what is the meaning of its activities? Work for itself? Striving to obtain the highest possible profit?

[Bobritskiy] Let us look at the draft Law on Socialist Enterprise prepared by the government. Here the enterprise’s main task is interpreted as “satisfying the needs of the national economy and the population in products...of a high quality, maintaining at the necessary level and improving production, social development of the labor collective, and increasing the contribution to strengthening the country’s economic potential.

But our group that worked on the draft sees this task as “organizing economic activities in which the social and economic interests of the members of the labor collective are realized by means of satisfying demand in the market to the maximum extent possible and achieving a profit on this basis.” I believe that the state’s definition sounds as if it is made for effect. You see, a person working at an enterprise thinks primarily about his own wages, not about “satisfying the needs of the national economy.”

If an enterprise is not subordinate to anyone, it fulfills its duty to the state primarily by supplying people’s needs for goods. An enterprise must produce products in order to live! In addition, the more the labor collective earns, the greater the deductions coming into the budget through taxes. So, we stand firmly on the principle that in working for itself, an enterprise also works for the interests of the state. And, excuse the cliché, the richer each citizen is, the richer the state will be.

[Lukin] Today hundreds of enterprises are striving to leave large associations and gain independence. How and according to what principle do you propose to determine which of them is “worthy” of being independent, and which is not?

[Bobritskiy] I believe this: in order to make a breakthrough in the economy, we need to break up the existing structures in industry into smaller ones as much as

possible. Let thousands and thousands of small enterprises operate and compete among one another! So, every subdivision should have the right to leave an association. This right should be natural.

[Lukin] How do you picture the mechanism for distributing profit at an enterprise?

[Bobritskiy] This is one of the key issues that must be clearly resolved in the law. Since the vast majority of our enterprises are state enterprises, it must be said unequivocally: part of the profit remaining after payment of taxes, say, 30 percent, belongs to the state. And everything that will be created at the expense of this “piece” of profit belongs to the state.

The rest of the profit is the property of the collective. What can it do with it? If it builds a shop, it will belong to all the workers—let us say, through shares of stock. If it builds apartments, they must be transferred to the personal possession of the workers.

[Lukin] Now, about management of an enterprise. How should it be structured according to your concept?

[Bobritskiy] On the one hand, the idea of returning to appointment of directors from above has been advanced. On the other hand, there is experience in appointing directors by election. In my opinion, both are imperfect. I think that each enterprise should have a council—a fund and managing council... It is not important what it is called. If we are talking about a state enterprise, it must be determined once and for all: Who is the representative of the proprietor? If, for example, it is the ministries and departments, then the members of the labor collective must be declared hired workers. If we entrust to the labor collective the right to represent the proprietor, the organization of the enterprise council should take shape according to this. In the first variant, the council would include representatives of the proprietor (for example, the ministry) and of the labor collective, who are employed.

If we use the second variant, as is proposed in the draft law prepared by our group, the labor collective itself forms the enterprise council. Then the issue of an enterprise’s independence is resolved not formally but in deed. It is namely the council that hires managers.

Hiring the administration assumes that the managers will no longer receive salaries and bonuses, but will receive a share of the enterprise’s profits. The greater the profits, the higher their income. So, the administration will hardly strive to lower the plans, as is often done today.

Nevertheless, these are details. The most important thing, I will re-emphasize, is that instead of statements that the enterprise is being given powers of an proprietor—to own, dispose of, and use, we must develop realistic and fully understandable mechanisms. However, that the final say rests with the Third Session of the USSR Supreme Soviet.

Evolution of Antimonopoly Legislation Described

904A0263A Moscow PRAVITELSTVENNYY VESTNIK
in Russian No 11, Mar 90 pp 4-5

[Article by Yu. Rytov: "So That the Consumer, Not the Concern, Calls the Tune, or How To Restrain the Dictate of Monopolies"]

[Text] On the 1st day of the Third Session of the USSR Supreme Soviet, deputy V.I. Kirillov proposed including on the agenda discussion of the draft of antimonopoly legislation. In his opinion, this law ought to be adopted as early as this autumn.

There is no question that such a document is extremely important. It is clear to everyone that a straightforwardly stated, legally reinforced, and—most important—effective antimonopoly policy is an organic and integral part of the economic reform, an indispensable stage on the road toward a socialist market. Otherwise, what kind of market will we build if it is ruled by monopolists? If the producers do not compete with one another? If the consumer remains without rights and protection, just as he was before?

But it is just as obvious that setting up an antimonopoly mechanism is an extremely complex problem. When you analyze the problems arising here, you once again realize with bitterness how deformed our long-suffering economy is and what incredible efforts will have to be made to put it on the optimum and self-regulated track. I would not like to embitter the reader, but how is one not to exclaim once again: What a burdensome responsibility it is, the steep and twisting road to the market....

And that would seem to make it timely to speak today about how the work is going on the conception of the antimonopoly program. I would like to emphasize at once: It is by no means being prepared in the quiet of government administrative offices—science has the deciding word here. Our leading scientists—economists and legal and financial experts—are members of the working group (headed by V.A. Pokrovskiy, deputy chairman of the State Commission of the USSR Council of Ministers for the Economic Reform and doctor of economic sciences).

I have in front of me the first documents they have submitted—several heavy folders. Though they can be called "documents" only with great reservations. In actuality, these are analytical studies in which the question is examined comprehensively and thoroughly, from every possible angle: the historical, the economic, the social, and the political. The principal studies were done by associates of three academy institutes: the Economics Institute, the Central Mathematical Economics Institute, and the Institute for the United States and Canada. They were done independently of one another, on what has now come to be called an alternative basis.

And what conclusions have the scientists come to?

Where Was the "Narrow Track" Leading...

It is well-known that the production of many products is concentrated in our country at a small number of large enterprises. We have become convinced in the course of many decades that that is the general road for development of domestic industry. Specialization is the only way! And the concentration of production that is associated with it. We have seen in it inexhaustible potential for optimum organization of work and for the rise of labor productivity.

And naturally in the formation of production structures we relied on administrative methods of management and the unlimited authority of the state command system.

Yes, that was the official economic conception. "Socialist production relations do not arise in the bowels of capitalism. That is why the taking of power by the proletariat and the activity of the socialist state play a decisive role in evolution of the economic base of socialism." We read these words in one of the popular teaching aids.

From there, the argument went: "Administrative methods are objectively necessary in managing anything (...). When administrative methods are used, management achieves its objectives relying on the force of authority. Within an organization, it is the power of the leadership, and in the management of a socialist economy it is the power of the socialist state. Administrative methods have an inherent mandatory attribute, since the force of authority stands behind them."

Many of our economists believed in this kind of truth. It is sufficient to say that the words quoted above belong to G.Kh. Popov.

It was in fact the "mandatory attribute" of the administrative-command system that resulted in the mandatory narrow specialization of production. And "mandatory" specialization gave rise in turn to monopoly enterprises, eliminated every kind of competition between them, and deprived consumers of the possibility of choice.

What does this look like in practice today?

Suppose we need a steam boiler. Capacity? Say 16 tons of steam per hour. So, you contact the Biysk Boiler Plant. If the quality is not suitable and you do not like the price? You have no choice. Biysk is the only place such boilers are made. You decide on another solution: you buy a boiler that may be more expensive, but bigger. With a productivity of 25 tons. You still have to go to Biysk. All 100 percent of the output of this product is produced there....

But perhaps it is not boilers we need, but diesel locomotives? For the narrow-gauge railway, say. Again there is no choice. All the narrow-gauge diesel locomotives with a capacity of 150 HP are manufactured at the Kambarka Machinebuilding Plant. Narrow-gauge freight and passenger cars? All 100 percent are produced at the Demikhovskiy Machinebuilding Plant.

We have not been lucky with the narrow gauge, let us move to the broad gauge. Let us buy, for example, a railroad crane. There is only one place to go: Kirov Oblast, the Machinebuilding Plant imeni 1 Maya....

Even these particular examples show that the process of concentration is unique in our country. What does the overall pattern look like?

Enterprises with a work force exceeding 1,000 now comprise 17.3 percent of all industrial enterprises. However, they represent 74.6 percent of the total labor force in this sector. And they produce 74.5 percent of all industrial output!

Enterprises with a work force exceeding 10,000 have 21.6 percent of industrial production personnel and represent 20 percent of the total volume of output. What is more, over the last 25 years the share of these giants has increased on the average 2-2.5-fold in all groupings and with respect to all parameters.

We can now easily calculate the share that is left in our country for small enterprises. And estimate the kind of role that they can play in our socialist production.

Even now it is quite obvious: the narrow gauge of specialization has led us into a blind alley. Since very large enterprises were supplying the bulk of any particular product, their costs automatically became the socially necessary costs, and the level of their quality became the socially normal level. Under those conditions, did they have any significant incentives for progress? No, since the desire to pass on to the consumer their own losses determined—and determines to this day—their strategy....

The "Soul" of the Command System

But the concentration and specialization of production, in the opinion of scientists, is not by any means the sole source of monopolism in our economy.

"The monopoly," it is stated in one of the studies, "is not simply a side effect, but is the essence, the very 'soul' of the command-bureaucratic system. And both of them can be eliminated together."

Monopolism in the economy, the scientists emphasize, is only a particular manifestation of the monopolistic tendency that characterizes the activity of the totalitarian (all-inclusive) state that has taken shape in our country and for a long time has been dominant in all spheres of life, including social and political life.

Branch and functional departments which were actually free of public oversight figured as the nucleus of the monopolistic system. It is they that determine the character of the movement and volume of resources—not on the basis of objective factors, but on the basis of their own claims to power in the economy.

Here is a curious observation. If there has been competition in our country, it has been among the ministries

which are monopolists! Competition as to the size of stocks allocated to them, especially imported goods. Competition for their role and influence in the higher levels of power, for their importance on the scale of the entire state. But not for the consumer, who took (or did not take) what they offered him....

And monopolism did not come down simply to the producer's dictate. It became the true cause of a great number of difficulties and troubles in our economy. It held back scientific-technical progress and held down the quality of the product and its competitiveness on the world market. After all, assigning to ministries the functions of conducting a unified scientific-technical policy in actuality signified establishment of unlimited monopolism of sectoral scientific organizations and eliminated the possibility of competition in the sphere of research as well, thereby also eliminating the incentives to look for the most effective among the alternatives.

The administrative-command system had an amazing "birth rate." Its favorite grandchildren were deformed economic relations: directive planning, distribution of supplies and equipment by allocation, concentration of financial resources and their redistribution without compensation, the centralized wage system....

Monopolism "from above" made it possible for each successive superior level to impose its interests on those below it.

But here is a paradox! Every structure—economic, social, and political—is able to adapt to the circumstances that have come about. The lower-level units of the economic structure—enterprises—learned to defend their own interests. Yet another variety of monopolism arose—"from below." Production collectives did possess a resource of exceeding importance, one that has not been appreciated even in our time—information. They knowingly distorted information which they sent "upward." The true capabilities of enterprises, not to mention their potential, were carefully concealed. The results of production activity were also "adjusted" (this refined word, we recall, was in widespread use) with equal care. Window dressing and figure padding became commonplace.

Monopolism came to infect even the level of the work station! The so-called manpower shortage (it is no secret now that it was artificially created in many cases) made it possible for the "skillful and resourceful" to arbitrarily set for themselves either the measure of their labor, the measure of its remuneration, or both together....

Incidentally, the persistent and large-scale scarcity that has come about in our economy supports and aggravates all varieties of monopolism. After all, competition among consumers (this is a phenomenon inherent in our economy alone!) turns the producers of a scarce commodity into what is in effect a single monopolist capable of choosing the most compliant and undemanding customer from among the many who want the commodity. And we must be fully aware that our production giants,

takes place of the best entrepreneurs and production methods, and the needs of consumers are fully met.

And it is especially important to emphasize the following circumstance. In none of the industrially developed countries is there a monomarket economy. In each of them, a network of centralized economic regulation and adjustment of the market by public organizations and government agencies has come into being and developed. Exactly how does this mechanism operate?

Enterprises and the Government

In most of the advanced capitalist countries, there is legislation aimed at interdicting what is called restrictive business practice. In other words, to prevent monopolism and to maintain the competitive mechanism of pricing and resource distribution. The first antitrust laws were adopted at the end of the 19th century in the United States and Canada. The formation of very large associations within particular branches (trusts), which occurred at that time, led to agreements among them on market share, restriction of production, and hiking up of prices. The consumers—mainly small businessmen and farmers—began a desperate struggle.

And then in 1890 (exactly 100 years ago!) the Sherman Act was adopted in the United States. Its official title was "Act To Protect Production and Trade From Unlawful Restrictions and Monopolies." But laws are always being improved, and a quarter of a century later (in 1914) supplemental acts were adopted.

The following three main principles lie at the base of U.S. antitrust legislation.

First. Any agreement, association in the form of a trust or other form, and also collusion to restrict production or trade is prohibited.

Second. Any person who monopolizes or tries to monopolize or enters into an alliance or compact with any other person or persons in order to monopolize any part of industry or the trade sector is considered guilty of committing a crime.

Third. No person engaged in trade or any activity that influences trade may acquire directly or indirectly the stock capital of another person if the result of that acquisition could be an essential weakening of competition or a tendency to form monopolies.

These penalties are envisaged for violation of antitrust laws: for the employee of a corporation—a fine not to exceed \$100,000 and imprisonment of no more than 3 years, and for the corporation—a fine not to exceed \$1 million and threefold coverage of the losses of the injured party.

A Package of Ideas Is Being Transformed Into a Law

So, the scientists have presented their research, and the working group has undertaken to summarize it. A council for coordination and methods has been formed

in the State Commission of the USSR Council of Ministers for the Economic Reform; its responsibility is the scientific expert evaluation of subprograms, their interlinkage, and coordination of the activity of research institutions.

The actual State Program for Developing Competition and Counteracting Monopolism in the Country's Economy (this is the preliminary title it has been given) is broken down into its principal units (directions). A leading developer has been identified for each of them. They see to the preparation of their respective parts of the program: they decide which ministries, departments, and scientific research institutes are to carry it out, they coordinate their interaction, and they monitor progress.

There are, of course, quite a few problems here. After all, the proposals being prepared must fit as an organic part into the government program for recovery of the country's economy that has already been approved by the USSR Congress of People's Deputies. And so there has to be a "tying in" of these measures with the present stage of the economic reform, and the appropriate adjustments and revisions have to be made. The program consists of a number of documents.

Their preparation has mainly been completed in the working group. On 2 March, they were discussed in a session of the State Commission of the USSR Council of Ministers for the Economic Reform. The final touches are now being put on the draft so as to take into account the objections expressed in the session.

It is proposed that the final version of the documents be presented to the Presidium of the USSR Council of Ministers on 30 March.

PLANNING, PLAN IMPLEMENTATION

Incompatibility Between Planning, Markets Noted

904A0212A Moscow

MATERIALNO-TEKHNICHESKOYE

SNABZHENIYE in Russian No 1, Jan 90 pp 30-36

[Interview with publicist, Candidate of Economic Sciences V. Selyunin by wholesale trade division editor Ye. Spiridonov: "There Is No Worthy Alternative to the Market"]

[Text] In order to bring our economy to life, we must provide operating room to the law of value, on the basis of which socially necessary outlays on production are determined in a market economy. The market is the offspring of free relations of sovereign economic subjects, and it cannot be brought into being "in confinement." Regulating economic relations on the basis of the contrived law of planned, proportionate development, even in a time of fundamental restructuring of the economy we continue to utilize the plan as an instrument of production management, and by doing so we delay development of market relations.

in order to preserve their exclusive position, are capable even under present conditions of deliberately restricting output in order to maintain an artificial shortage.

The conclusion is unambiguous: antimonopoly policy is the only way out of the all-encompassing crisis in which we find ourselves that offers promise and a future. This is an inevitable step toward an economy that guarantees society a decent level of prosperity, dynamism, competitiveness, and ethnic calm (*natsionalnaya bezopasnost*).

What is more, antimonopoly policy is not "one of" the major issues of the economic reform, as people sometimes like to assume, it is essentially its main strategic problem. Only if it is solved will it be possible to completely replace administrative-command methods of management by the mechanism of the socialist market, elements of which are used by the state to regulate the economy as needed.

And, of course, a proper antimonopoly policy can be built only on the basis of a new conception of the socialist market.

A Market, a Real Market, Not Market Day on the Kolkhoz!

In current economic language, the market signifies meeting of supply and demand for particular products and resources. The essence of market-oriented economic behavior is free choice by any juridical person of any form of activity (except those prohibited by law!), access to all forms of resources (limited only by his own plus borrowed money resources), free choice of economic ties between suppliers and consumers, and formation of proportions within the branch and between branches under the influence of the dynamic behavior of prices and profit.

The market economy has gone through a lengthy evolution in its history. At first, only separate sectoral and regional commodity markets were formed. Now, a single ramified market system has arisen and come to encompass both consumer goods and capital goods, services, manpower, capital, information, and so on. And that kind of system operates not only on the scale of separate states, but also globally, encompassing with its influence a sizable portion of the world economy.

What are the specific characteristics of the present-day market economy? A great diversity of forms and ownership. Enterprise has a decisive role. Pricing is mostly unrestricted. The movement of resources and capital is unrestricted. Contractual relations are dominant. The level of domestic and external competition is high. Finally, it is subject to oversight of society and the state.

Even their list of these characteristics indicates that the present-day market has little in common with our own kolkhoz market, which is something that some economists forget as they militate so ardently for the speediest

transition to a market footing.... If we are to get on that footing, we first need to impart to our economy each of the attributes indicated.

There is no question that the first and most important breakthrough has already been made. The USSR Supreme Soviet has adopted the Bases of Land Legislation. The Law on Property has been adopted. We know from the stormy debates in the session that every article of these pieces of legislation had its advocates and opponents. Nevertheless, as they say, the story came true. And what comes next? How are the other components of the market economy to be achieved?

We have in particular been discussing the feeling of being an owner (*khozyayin*) which our people have lost. But is it possible to restore it merely with legislative acts, however good they may be? Hardly. It is also indispensable to have a certain historical experience—educated or acquired. This applies above all to a component of the market system such as enterprise.

The scholars define enterprise as a specific type of people's economic behavior. It presupposes not only administrative independence and freedom in disposition of resources, but also the capacity for organizational innovations and, put more simply, the capacity for economic initiative. We have, of course, had more than enough appeals for initiative. But now the reference is to initiative of a different kind: an initiative that takes into account conditions on the market, the pressure of competitors, the specific features of government regulation.

It is equally important to include in economic activity an element such as unrestricted pricing. After all, in a developing economy all its parameters are changing uninterruptedly: labor productivity, the structure of specific costs, income, and demand. It is the mission of the market price to register those changes as quickly as possible and transform them into a money-price quantity. This in turn is expected to serve as a reference point for business. So far, humanity has not invented any other and better indicator of society's need for a particular product. Deviations from the market price are, of course, inevitable. They exist throughout the world. They may even be "inscribed" in the existing price structure for a long time. But if speculation on the market is able to get through, it is through the "black market," speculation, scarcity, and corruption. We should add that in our economy we have an abundance of these "exceptions to the rule."

The key principle of a market economy is that practically every purchase-sales transaction between firms takes the form of a written or verbal contract which has juridical force. I would like to call your attention to the fact that the verbal contract has the same force as a written contract....

Contracts, which put economic relations on a firm legal foundation, do not weaken competition by any means. They have an impact on prices, on quality, on utilization of capacity, and on rates of renewal. Thus, a selection

Every cloud has a silver lining, they say. The machine builders jacked up the prices, but at least state capital investments into that sector were saved. Meaning that they could be switched to another priority—the group “B” industrial sector. In 1985, 4 rubles 40 kopecks out of every 100 rubles of capital investments were allocated to production of consumer goods. A decision was made to raise this proportion noticeably. And what was the result after 3 years? Four rubles 10 kopecks. Talk is one thing, but real investments are something else. The proportion of capital investments into group “B” enterprises is actually decreasing.

Where, you might ask, did the money go? It was “eaten up” by sectors which the five-year plan had not earmarked for a “fortified diet.” The power engineering complex, which was primary among these, grew immoderately fat on generous state fare even without this extra money. In the 10th Five-Year Plan it was given one out of every 10 rubles of all capital investments. In the 11th Five-Year Plan it received 12 rubles 90 kopecks. In 1985 it received 14 rubles 10 kopecks. And in 1988, 21 rubles. A single increment in the investments into power engineering sectors (15 billion rubles) is almost equivalent to a two-year “ration” of capital investments into group “B” industry (16.4 billion rubles).

What was the practical result of regulating the proportions of the national economy by means of the plan? Certain priorities were planned, but others emerged. The plan is unable to solve structural problems. They wanted to orient the economy toward scientific and technical progress, but capital investments into machine building were halved. They wanted to turn production in the direction of the individual, but the reverse occurred. The results of planning can only document the spontaneously occurring processes in the economy, and they have no power to influence them. Control of the economy by way of planning is, in my opinion, doomed.

[Spiridonov] We began implementing the reform after the 12th Five-Year Plan was already adopted. Doesn't it seem to you that the five-year plan was torn to shreds by the market developing in its “womb”? When complications arise during delivery, we try to save the mother first. And so, saving the five-year plan, we are suffocating the reform. If I'm not mistaken, some scientists and practical workers proposed freeing the economy from the manacles of the plan as a way to hasten formation of market relations.

[Selyunin] I myself was among those who favored rescinding the 12th Five-Year Plan. Some people's deputies also insisted upon this in their congress. But as always, state ambitions came out on top. The question that arises is this: Are we capable of learning anything at all from life? How many sacrifices have already been made in the name of the plan? And what has been their result? Do you know what place we hold in total production volume? The impression is created that we are supposedly just about to catch up with America. We are, after all, surpassing it in relation to 13 of the most

important types of industrial and agricultural products. But when it comes to the gross national product (GNP), we are seventh in the world. In the meantime we were fifth in 1913.

The gross national product calculated by United Nations procedures is one of the general indicators of a country's socioeconomic development. It reflects the end results of the activities of the entire national economy, and in distinction from national income, besides the net product of material production sectors it includes wear of fixed productive and nonproductive capital, and income obtained in the nonproductive sphere and from foreign economic activities. In the book, “The USSR and Foreign Countries,” published by the All-Union Scientific Research Institute for the Study of the Demand for Consumer Goods and Market Conditions, all newly created value is expressed in dollars. This book permits us to look at ourselves in the mirror of the world economy. Our gross national product is estimated at \$690 billion. But in the USA it is \$4.5 trillion! It is \$1,806,000,000 in Japan, \$945 billion in the FRG, and correspondingly \$816, \$807 and \$786 billion in France, Italy and England. Canada and Spain are already beginning to catch up to us.

[Spiridonov] Are you trying to say that the economic reform will not produce the anticipated results as long as planning exists? But then, what forces are compelling us to cut the road to our own salvation?

[Selyunin] CPSU Central Committee Politburo member Aleksandr Nikolayevich Yakovlev already answered this question quite categorically during his visit to Perm. In his words, the five-year plan is the breast plate of the mechanism of deceleration. It is behind this armor that the wisest opponents of perestroika hope to outlast the other side.

[Spiridonov] But might they be motivated not by the instinct of self-preservation but by good intentions? After all, many truly believe that the market is destroying the economy.

[Selyunin] It's not the market that's destroying the economy. The market is healing the weak economic organism, in which the plan has left the entire life support system in a total shambles and disturbed the proportions necessary to a healthy economy. And it continues its deleterious action. The country's resources are just barely enough to carry out an excessively intensive plan. There isn't enough strength left over for either the reform or the market. A trillion rubles of capital investments earmarked for this five-year plan! We will have to tighten our belts a very great deal in order to scrape up this kind of money. But even that's not enough for all of the projects to be financed. Yes, in formal terms growth is set at only 19 percent in relation to the past five-year plan. But it is not considered, after all, that the cost of construction is growing by around a little over 5 percent per year. This means that the last ruble spent on investments in 1990 will be 30 percent lighter than that

put to use in 1985. And the planned trillion rubles are not enough to finance all of the projects included in the plan.

To increase production on the basis of the plan means to use a growing quantity of fictitious rubles to perform calculations pertaining to essentially the same products. G. Khanin, a well known economist, and I used new analysis techniques known from scientific publications to recalculate the summary of the USSR Goskomstat [State Committee for Statistics] on fulfillment of the plan in 1988. According to the report, national income grew from 600 billion to 625 billion rubles—that is, by 4.4 percent. If we consider that in 1986-1987 it increased by 21 billion rubles, the result is impressive. Are we really pulling ourselves out of the hole? But the demonstrated might of the planning system is easily discredited this time again by simply subjecting the summary to detailed analysis. Real consumer values do not stand behind the announced 25 billion increment. All that occurred was growth of prices, wholesale and retail, used to measure national income. In short, a larger figure was arrived at, and that's all. The 25 billion in phantom money was tossed into the impoverished market, and of course, it was lost within it. In 1988, after all, production of goods in physical terms decreased, rather than increasing. Absolute sales in the "clothing, underwear, fabric" commodity group decreased by 6 percent. Sales of footwear measured in pairs dropped by 4 percent. Commodity turnover grew due to sales of stockpiled goods and an increase in vodka sales. There had been plans to reduce vodka production by 11 billion rubles, but it grew by 3 billion rubles instead.

In the meantime the planners divided this devalued money, unbacked by goods, among the sectors with comic seriousness. The emperor's new clothes were simply fitted to the economy. The banknotes had 625 billion written on them, but these were the same 600 billion.

[Spiridonov] But if what you say is true, that there was no growth of national income in 1988, the situation with resource conservation also appears in an entirely different light from that shed by reports of the USSR Goskomstat. After all, a turn toward intensive development of the economy was officially documented.

[Selyunin] According to calculations of the USSR Goskomstat, national income, as I mentioned above, increased by 4.4 percent in 1988. And production of fuel and energy resources grew by approximately 2 percent. The energy intensiveness of national income thus seemed to have fallen, which is what allows workers of the USSR Goskomstat to make the conclusion that the economy is continuing to develop intensively. They suggest that we have been able to economize on a great deal. But according to my calculations this is distorted information.

Let's put the figure of 102 percent growth of energy resources in the numerator, and the number 100 in the

denominator (according to my calculations there was no growth in national income). What does this give us? The energy intensiveness of national income increased. Its metals intensiveness increased in precisely the same manner as well. This means that the national economy is continuing to develop by the old extensive method. Furnaces are kept going not by numbers but by extracted minerals. They expended more resources to attain the same level of national income. Statistics say one thing but practical experience says another.

[Spiridonov] The net result of this is that the economy's imbalance has its origins in the depths of the "icon" itself—that is, in clinging to planning. Forced to manufacture products dictated by state orders, enterprises waste their resources producing things for which there is no true demand, and they jack up prices on things enjoying a demand in order to conceal lapses formed in income due to fulfillment of a plan in which they were obligated to include state orders.

[Selyunin] That's entirely correct. The market and the plan are mutually exclusive. If we intend to conduct an economic reform, we need to place the enterprises in conditions requiring them to seek work for themselves. That's all, without a plan. Now we no longer tell them from above what they are to produce, and whom they are to supply. Look, get your own bearings, gather up your orders and start production on the basis of your own money. Don't ask the state what you should do if the demand for your product is nonexistent. Change your production profile, begin production of a product that can put you back in the market. The state is no intermediary. Be responsible not to a plan but to the consumer.

[Spiridonov] But can you imagine what it would mean to leave, to their own devices, people who have become accustomed to taking orders, and not seeking work and living only off of their earnings? The whole economy would do a backflip!

[Selyunin] It's not the economy that will suffer. The paralyzing shackles of the plan will be broken. All formal economic ties will be rended, and life-giving ones will form. A real market, in which we will finally learn the true value of outlays on production, will be born. After a short upswing, inflation will quickly drop to nothing, inasmuch as the enterprises will begin producing only that for which the consumer himself consents to vote with his rubles. And there is no need to artificially hold growth of wages back, since it will itself be limited by the proportions of product cost, measured in meters and units.

The plan does not allow us to keep strict tabs on the amount of labor expended per unit of product. The inflation mechanism is incorporated in the present centrally regulated wage system. A wage standard has been established—30 kopecks per ruble of commodity products—and let the enterprise respond to that. The more products it can sell in rubles, the larger the wage fund. Thus it turns out that labor collectives consciously

promote higher prices. Because the material incentive fund also depends on production measured in rubles. The source of money for the fund is profit—that is, the difference between wholesale price and production cost. This is why, as an example, there is such a passion for attaching "N" (New Item) labels, which fetch a high price, on clothing.

It had to be obvious that under the conditions of self-financing and persistence of the plan-provoked irresponsibility of the goods manufacturer to the consumer (if you're telling us precisely what we are supposed to produce, then take the responsibility for selling it as well), any increase in production volume in the presence of an unsaturated market would occur exclusively due to growth of prices. But the great hope was that the market would rehabilitate the plan, that production would increase. However, we can't pick from the market mechanism and place into motion those elements that are convenient to us, while discarding the others as being unnecessary. This is precisely why another turn occurred in the inflation spiral.

[Spiridonov] Do you concede that abrupt introduction of the market can lead to mass unemployment?

[Selyunin] Four years of the reform have passed. In this time we could have made it so that both the wolves are sated and the sheep are whole. Most enterprises could have already changed their production profiles by now, taught new specialties to their workers, and assumed a foothold in the market in a new quality. No recovery measures that delay transition to a market economy can save the economy. By turning the economy from "cannibalism" to the road taken by the whole world, we want to revitalize the economy in behalf of the well-being of each individual. And each individual must make a choice for himself: Either to exert himself and live in spiritual and material comfort, or not to ask anything special of himself and be satisfied with less. No one has yet conceived of a reform which would allow a person to do nothing, live well and still stay within the law.

[Spiridonov] On seeing how the market began rocking the economic boat with just its first timid appearance, the reformers turned this motor off, giving orders to return to the oars of the plan. Does this mean that the initiators of perestroika are themselves acting in unison with its wise opponents?

[Selyunin] Yes, the return to centralization doesn't fit into the logic of the initial course of perestroika. Until recently, reformers were reproached for their timidity, for their inconsistency in maintaining their announced course. And so they began acting aggressively, hastily restoring a command economy. It is as if they themselves don't believe in their proclaimed conception of economic recovery. Why are they placing into motion the same authoritarian system they had previously rejected? Obviously they feel that they can still get support from it for a year or two, until the country becomes ready for reform. But this is a delusion. Losing time, we will be

compelled to implement perestroika in a situation of even greater economic chaos. A long construction time is deleterious in economic reform. It is one thing to be constantly building, but when are we going to stop building and start living?

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INVESTMENT, PRICES, BUDGET, FINANCE

Goskomstat Official on Development of Price Index

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[Article by I. Pogosov, deputy chairman of USSR Goskomstat, under "Financial Normalization of the Economy" rubric: "How to Measure Inflation"]

[Text]

"Money is not worth anything now." This phrase can often be heard in conversations on the street, in stores or in transport. This is what people aptly said about inflation. Inflation is observed in many countries. Usually it is manifested in a rise in prices and does not represent a serious danger for the population if it is accompanied by an adjustment of income. Our inflation has exceptionally national features and leads to a total shortage of commodities.

For many years we have been creating the illusion of an increase in the standard of living of the people, increasing wages through the emission of money. Logically, prices should have increased as well. But the prices for basic consumer goods were restrained artificially.

It was not possible, of course, to avoid an increase in the cost of goods. Under the conditions of the shortage of goods and services, two kinds of inflation appeared—visible and suppressed.

Visible inflation is characterized by prices indices. Suppressed inflation reflects an increase in unsatisfied demand and characterizes the degree of a possible rise in prices equalizing supply and demand under free price-setting. Unsatisfied demand in 1989 increased by 23 billion rubles, the volume of goods and services sold to the population amounted to 423 billion rubles and the rate of suppressed inflation was 5.5 percent.

Overall, the volume of unsatisfied demand now amounts to 165 billion rubles. All other things being equal, the renunciation of state control over prices could lead to an increase in retail prices by approximately 40 percent.

All-seeing Index

The increase in the cost of commodities must not, of course, be uncontrolled. And wages and pensions need to be adjusted taking into account the rise in prices. This is

why the calculation of the level, dynamics and indices of prices under the conditions of inflation is an essential instrument of social and economic policy and the development of the concept of price-setting. We need indicators that would characterize the influence of changing prices on the standard of living of the population and the calculation of a cost-of-living index.

Until recently statistical practice in the USSR utilized indices of list and average prices. But they have a number of shortcomings. The Achilles heel of the index of list prices (flawless from the position of the utilized statistical apparatus) is its dependence upon the system for the formation of prices for new output. But we know very well that many enterprises achieve price increases through changes in brands, type of merchandise and style without any substantial increase in the quality of goods. An index of list prices does not detect such "details."

An index of average prices reflects both changes in specific prices for individual commodities included in a commodity group as well as shifts in the assortment of this group. A change in the average prices for a commodity of a given kind—the average price for a television set, for example—also reflects an improvement of its quality when a black and white television is replaced by a color set. So the average group prices can change even when the cost of all the commodities included in a given group is stable. They cannot be used to characterize the change in prices.

The basic principle must be the following: the index reflects the change in prices per unit of consumer qualities of a commodity or service. In other words, it is called upon to characterize the change in price of a commodity of a certain quality in a certain quantity. The change in the price of a commodity in accordance with a change in its quality is not supposed to be reflected in the index. These are the properties of an index of prices determined for a set of representative goods.

A representative good is understood to be the totality of types, styles and brands of a particular kind of commodities of the same consumption function. A price index for a set of representative commodities takes into account not only the change in prices for output produced in the reporting period as well as in a past period but also the influence of prices on new output and reflects the influence of contractual prices, territorial peculiarities, seasonal variations and other factors.

In 1989, USSR Goskomstat, with the participation of a number of research institutes, established the basis for the calculation of real price indices and rates for consumer goods and services. We thereby utilized the experience of world statistical practice. To register prices, not only food items but also 650 representative nonfood commodities were selected. We are organizing the observation of the prices and rates for 100 kinds of paid services, of which more than 50 are domestic services

and the rest are services in housing and utilities, cultural institutions, passenger transportation and communications.

To calculate price indices, use is made of information based on the systematic registration of prices in the stores of 150 cities, including all kray and oblast centers. To observe the prices for the goods of cooperatives and individual labor activity, 50 representative commodities were selected, as were 2 or 3 cooperative or state enterprises selling these goods in each oblast.

More Expensive and Worse

The aggregate index of list retail prices (taking into account the commodities of the kolkhoz market, cooperatives and individual labor activity) in 1989 was 104 percent in comparison with 1985, whereas the index of average prices of purchases during this period was 110 percent.

A large proportion of commodities, basically those in everyday demand, increased in price to some degree or other. In particular, food prices increased at a faster rate than in previous five-year plans.

The prices for potatoes and fruits and vegetables have been set by local authorities and organizations of the agricultural industry since 1986. The price of potatoes increased by 42 percent from 1985 to 1989, and vegetables went up by 21 percent. Sausage products rose in price by 21 percent and alcoholic beverages by 46.5 percent. The prices of bread and baked goods increased by 25 percent. In the last case, the reason was "valid"—the assimilation of the production of new and supposedly higher-quality varieties. But the new kinds of bread turned out to be worse than the previous kinds in many cases.

The average prices for clothing and underwear increased quite noticeably in the last 4 years (16 percent), as did those for refrigerators and freezers (14 percent) and motor vehicles (8 percent).

One of the forms of the manifestation of inflation is a worsening of the quality of a commodity while maintaining the previous price.

For example, the average content of a basic component (fat) of butter declined from 81.5 percent in 1970 to 72.7 percent in 1989 because of an increase in the share of choice, peasant and sandwich butter in the total volume of its sales at a practically unchanged average price. Thus, one kilogram of animal fat came to cost the consumer 12 percent more. There has no doubt been a worsening of the quality of the potatoes and vegetables offered by state trade in recent years. If we were able to measure the worsening of quality of output, the price increase would have been expressed in significantly higher figures.

In many cases, unfortunately, it is extremely difficult to calculate the magnitude of the worsening of quality. It is

The economic situation that has now arisen in the country requires the resolution of complex and contradictory tasks, of which the following are paramount: putting an end to the worsening of the country's economic position and establishment of the necessary conditions for ensuring the financial normalization of the economy in the next few years on the basis of higher production efficiency and the further development of economic reform; stopping the increase in social tension in the society through the implementation of priority measures to raise the standard of living of the population, to accelerate the increase in the production of consumer goods and services and, on this basis, to normalize the monetary turnover in a fair regulation of the size of wage funds; establishment of the material and economic preconditions for the gradual development of the economy in the coming 13th Five-Year Plan.

The realization of the established objectives and the ensuring of the planned national economic proportions are expressed not by abstract rates of growth of macroeconomic measures but by the scope of the resolution of specific social problems and progressive structural shifts in the economy.

At the same time, most fundamental are changes taking place in the national economic proportions reflecting the process of the social reorientation of the economy and a basic shift to the needs and requirements of people. With the huge amount of inertia and the regional specialization of such a complex system as the Soviet economy, this process is extremely difficult and complex. It is manifested in structural shifts of fundamental and strategic importance. These structural shifts are diverse in nature and are taking place in every branch and every kind of production, in the assortment of produced output, investments and consumption. In the final analysis, all of these processes are expressed in a concentrated manner in generalizing national economic proportions that make it possible to reveal and perceive the general dominant trends that determine the strategic direction of the development of the economy.

The changes taking place in the economy, for the development of which the priority has been given entirely to social objectives, are manifested most clearly in the structure of the gross national product (GNP), whose volume reflects the final results of economic activity both of enterprises in physical production as well as in the nonproduction sphere. This is indicated by the data of Table 1 (the data of this and subsequent tables were taken from official sources).

Table 1. Dynamics of the Change in the Structure of the Gross National Product of the USSR (in percent)

Indicators	1985 Report	1988 Report	1990 Plan
Gross national product, total	100	100	100
Including:			
Personal consumption of material wealth and services, total	58.2	56.8	59.9
Structure of personal consumption:			
—Consumption of material wealth	45.5	42.9	45.0
—Consumption of paid services	3.9	4.4	5.2
—Consumption of unpaid services	8.8	9.5	9.7
Gross internal accumulation, total	32.6	33.3	30.5
Structure of internal accumulation:			
—Production accumulation	24.6	24.9	21.9
—Nonproduction accumulation	8.0	8.4	8.6
Other elements of GNP	9.2	9.9	9.6

Table 2. Proportions Characterizing Structural Shifts in the Production of Industrial Output

Indicators	Unit of measurement	1990	
		Five-year plan	Annual plan
Output of group "A" of industry	billions of rubles	738.1	684.3
—Rate of increase over the preceding year	percent	4.7	0.5
—Absolute increase over the preceding year	billions of rubles	33.6	3.5
Output of group "B" of industry	billions of rubles	264.3	266.2
—Rate of increase over the preceding year	percent	5.5	6.7
—Absolute increase over the preceding year	billions of rubles	13.7	16.6
Ratio of the rates of increase of group "B" and group "A" of industry		1.2	13.4
Ratio of the absolute increase of group "B" and group "A" of industry		0.4	4.7
Share of group "B" in the increase in industrial output	percent	29	82.6

also difficult to calculate the discrepancy between an increase in prices and an increase of quality.

But there is even a shortage of these more expensive goods of not especially good quality in state stores. People are forced to turn to cooperatives and to the market and sometimes to speculators, which again contributes to a rise in prices.

Indeed, the average prices in the country for a kilogram of meat exceeded 5 rubles in the kolkhoz market in 1989 and about 4 rubles in city cooperative trade organizations and were 2.7 and 2.1 times higher, respectively, than state prices. The prices for animal oil were 8 and 6 rubles per kilogram, respectively, that is, they were higher than in state trade by factors of 2.3 and 1.7, respectively.

The price difference for the same products, depending upon where they are sold, makes it possible, on the one hand, to avoid the state regulation of prices and, on the other hand, to increase average prices for food products through a change in the structure of trade. The share of city cooperative trade organizations is increasing steadily in the total volume of food products. Their prices are twice as high as state prices.

In 1989, the share of city cooperative trade organizations in the total volume of food products was 7.4 percent compared with 4.3 percent in 1985. Whereas 5 years ago 4.8 percent of meat and 10 percent of sausage were sold through this system, it is already 5.9 and 16 percent, respectively. The sale of state reserves of meat products (mainly sausage products and canned meat) at cooperative prices rose in 1986 and has increased since then. Last year 11 percent of meat products and 20 percent of sausage products were sold at these prices (including city cooperative trade organizations).

But we have commodities for which the prices have not changed. In 1989, they were about one-fourth of all commodities. They include, in particular, electric floor polishers, synthetic detergents, fish, vegetable oil, dairy products, margarine. The prices declined for tape recorders, cameras and carpets; they fell for cotton and silk fabrics because of a reduction of imports. Confectionery became less expensive. True, it is unknown whether we should be happy about the case in question, because it took place at the expense of a reduction of the share of chocolate candy in the overall volume of its sales.

The data obtained with the help of a price index for a set of representative goods indicate that the rise in prices is not slowing. In 1989, in comparison with the preceding year, with an extremely insignificant increase in list prices (by 0.6 percent), the average prices of purchases increased 2.6 percent and the increase in prices for representative commodities was 2 percent. The relatively greater increase in average prices is linked with a washing out of cheap goods.

The most significant increases in prices in the set of representative goods was 3.7 percent for knitted goods, 4 percent for clothing and underwear, 4.2 percent for cotton fabrics and 3.8 percent for footwear. The prices for refrigerators, freezers and washing machines increased by 1.3 percent and those of television sets, bicycles and mopeds by 2 percent.

Cooperatives, the kolkhoz market and city cooperative trade organizations are exercising a more and more significant influence on the index and level of prices. The increase in prices in the kolkhoz market was 5.1 percent. The prices of cooperatives exceeded those of state trade for clothing, underwear, knitted goods and leather footwear by a factor of 1.7 to 1.9. The difference between the prices is continuing to increase. The share of the kolkhoz market and city cooperative trade organizations reached 14 percent in the total volume of purchases of food products by the population. In other words, 1 out of 7 rubles is given for a commodity acquired at a high price.

In 1989, an index of prices and rates was also developed for the first time for domestic services provided to the population. It was 102.4 percent for representative services, the increase being especially great for the repair of household appliances and equipment.

The overall rate of inflation is determined as follows: visible inflation (102 percent) plus suppressed inflation (105.5 percent) and is estimated at 107.5 percent.

It requires money to compute price indices. This work, which has just begun, already costs about 4 million rubles a year and later on expenditures will be even higher. But they are justified by their social significance. In addition, it has long been known that a proper diagnosis makes it possible to fight the illness successfully. Constant monitoring of prices will show convincingly the reasons for the increase in the cost of goods.

Shift in Priorities Leads to Investment Decline, Obsolete Equipment

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[Article by Yu.V. Stepanov and A.M. Grishin: "Problems in the Formation of the Most Important National Economic Proportions and Structural Shifts in the Economy in the Contemporary Stage of Its Development"]

[Text] The directions and problems in the restructuring of national economic proportions in the course of the implementation of economic reform are examined. The authors stress the contradictory nature of the structural shifts in the economy, paying particular attention to the fact that many urgent problems are unresolved and to those aspects that are hindering their resolution. In conclusion, they raise the question of the necessity of a fundamental improvement of statistical reporting.

In the national economy as a whole, the strengthening of the social orientation is expressed in an increase in the share of production of consumer goods and services for the population in all branches, not just in industry but also in agriculture, transport and construction. That is, in an increase in all those material goods that satisfy the immediate needs of the population and that in their totality comprise the second subdivision of public production.

For a long time, our economy was characterized by a reduction of the share of this subdivision but in this five-year plan for the first time we are having success in changing the macroeconomic proportion. According to the plan for 1990, the share of the second subdivision must reach 35.1 percent compared with 32.2 percent under the calculations for the five-year plan.

In 1990, it is planned to improve the relationship between the increases of final and intermediate output in aggregate social product. For the entire 5 years of the current five-year plan, for each ruble increase in value of raw material, supplies and semifinished products (intermediate products) the increase in final output (consumer goods and finished construction objects) will be greater than in the last five-year plan by a factor of 1.7. By way of comparison, it should be noted that in the estimates for the five-year plan it was planned to increase this ratio only by a factor of 1.4.

The catalyst for the objectively extremely sluggish process of change in the ratio between the first and second subdivisions of public production is the relationship in the production of consumer goods (group "B") and the means of production (group "A") in industry, the main branch of the national economy.

The proportions developing in the production of output of group "A" and group "B" of industry foreseen by the annual plan appear as in Table 2.

The turnaround in this proportion, one of the most important national economic ratios, took place in 1988, when the increase in group "B" of industry exceeded the increase in group "A" by a factor of 1.5. The draft plan for 1990 outlines specific measures that must ensure that the increase in the production of consumer goods is several times greater. In 1990, in essence, an extreme measure is being implemented for the outstripping development of group "B" of industry.

In the final analysis, all of the main structural shifts determine such an important macroeconomic proportion at the national economic level as the relationship between the resources of national income used for current consumption and nonproduction construction and the resources for expanded reproduction and other kinds of accumulation. This proportion in the draft plan (in comparable prices) appears as follows (see Table 3).

Table 3. Structural Shifts in Utilized National Income

Indicators	Unit of measurement	1985 Report	1990 Plan
Resources for consumption and nonproduction consumption	billions of rubles	452.9	553.3
—Rate of growth for the period	percent	117.8	122.2
—Absolute increase	billions of rubles	68.4	100.4
—Relative share in utilized national income	percent	80.9	86
Resources for the expansion of reproduction and other kinds of accumulation	billions of rubles	107.1	89.9
—Rate of growth for the period	percent	111.3	83.9
—Absolute increase	billions of rubles	10.9	-17.2
—Relative share in utilized national income	percent	19.1	14

Over a long period, right up until 1988, a large and essentially stable share of national income went for the creation and expansion of production capacities, including for defense, the construction of new enterprises, the increase in the already inflated and sometimes excessive stocks of physical assets, and the accumulation of special output. The complex process of changing the structure of national income was prepared in 1987 and began in 1988. It is planned to intensify this process markedly in 1990. There are reasons to believe that the plan for 1990 will be completed with substantial structural shifts in the trends that determine the qualitative parameters of economic growth. This will actually take place if the country and all labor collectives consolidate their efforts for the unconditional fulfillment of the plans at all levels and—which is very important—for the achievement of the parameters for

raising the efficiency of production. Thus, the relative share of resources for expanded reproduction in the structure of utilized national income declined by 4.4 percent in 1989-1990, whereas for the entire decade this reduction amounted to only 1.4 percent. It was 0.9 percent for the 11th Five-Year Plan and 0.7 percent for the first 3 years of the 12th Five-Year Plan. There is a corresponding increase in the share of resources used for consumption and nonproduction consumption. In 1990, it will reach 86 percent compared with the 77.8 percent foreseen for 1990 by the five-year plan and the 81.6 percent actually achieved in 1986.

The basis of these processes is the major changes that were achieved in the social trend of investments. The share of capital investments allocated for the construction of facilities in the social sphere, which continually

declined in the preceding five-year plans, will reach 29 percent in 1990 compared with 24.3 percent in 1985.

The improvement of the structure of national income is expressed not only in the relationship of production

accumulation and resources for consumption and non-production construction but also in the internal composition of accumulation and consumption.

The progressive changes that are taking place in the resources of national income for expanded reproduction are especially important, as the following data show (see Table 4).

Table 4. Changes in the Structure of Resources for Expanded Reproduction and Other Kinds of Accumulation

Indicators	1985 Report		1990 Plan	
	Billions of rubles	Relative share in national income, percent	Billions of rubles	Relative share in national income, percent
Resources for the expansion of reproduction and other accumulation	107.1	19.1	89.9	14
Including:				
—Accumulation in fixed production capital	46.9	8.4	52.2	8.1
—Accumulation in working capital, stocks and other kinds of accumulation	56.4	10.0	48	7.5
—Accumulation in unfinished construction and incomplete capital repairs	3.8	0.7	-10.3	-1.6

The greatest structural shift in the composition of the resources for expanded reproduction is linked with the most important task of reducing unfinished construction. Unfinished construction increased in past years.

Whereas the volume of unfinished construction in the preceding years of the five-year plan increased from 120.4 billion rubles in 1985 to 158.4 billion rubles in 1989, the draft plan for 1990 calls for its reduction to 148 billion rubles, that is, by 10.3 billion rubles. In this reduction, however, the above-standard unfinished construction will still exceed 15 billion rubles. At the same time, however, it is necessary to bear in mind that part of this amount is attributable to construction projects that were purposefully stopped and suspended in connection with measures for the financial normalization of the economy and the corresponding reduction of centralized state capital investments.

The accumulation in working capital and stocks is calculated on the basis of the acceleration of its rate of turnover. At the same time, it is not necessary to approach the problem of the accumulation of working capital and stocks in all of their parts with the sole and categorical objective of reducing them. The sharp reduction of stocks in trade in past years (1986-1987), for example, did not by any means reflect the efficiency of the work of this sphere but the shortage of commodities. In 1990, in the scope of the normalization of the internal market, it is planned to improve the situation with respect to stocks in trade. The same thing can be said in relation to stocks in agriculture. Their sharp reduction would mean a shortage of feed, seed material, etc. For this reason, the estimates consider the reduction primarily of excess production stocks in industry, construction and transport.

Accumulations in fixed production capital make up the largest part of the resources for expanded reproduction. Their share in the part of national income going for accumulation is declining. Centralized state capital investments in production were reduced by more than 18 billion rubles compared with 1989.

It should be emphasized that it is foreseen that the reduction of accumulation in fixed production capital will be done in such a way as to preserve the process of the renewal of their active part to the maximum extent possible, thereby intensifying the process of counteracting the obsolescence of machinery and other equipment. But the reduction of production capital investments outlined in the plan nevertheless brought about a certain reduction of the level of renewability of fixed production capital. Whereas in 1986-1988 the coefficient of renewal of fixed capital was 7 percent annually, in the estimates for the plan for 1990 this coefficient declines to 6.6 percent for the national economy as a whole. In 1985, 1.9 percent of obsolete production capital was replaced and in 1987 it increased to 2.6 percent. In 1988, however, the removal of obsolete capital slowed. The coefficient of removal of fixed production capital in the national economy declined to 2.3 percent, which was caused by a substantial shortage of fixed capital put into operation, the inadequate delivery of machinery for technical reequipment and reconstruction and the weak influence of the new economic mechanism on the acceleration of the renewal of production on the basis of scientific-technical progress. In a number of cases, enterprises under the conditions of self-financing are justifiably renouncing expensive and non-progressive equipment, which also slows the rate of replacement of obsolescent fixed capital. There was also a slowing of the removal of such capital in a number of national economic complexes that are supposed to

ensure an increase in progressive output. Thus, in 1988, it was 1.4 percent in the machine building complex, 1.4 percent in the metallurgical complex, 1.9 percent in the chemicals and timber complex and 2.7 percent in the social complex (light industry).

This level of removal of technically obsolete and ecologically harmful fixed capital is substantially below the indicators accepted in the estimates for the 12th Five-Year Plan. As a result of the reduction of the rate of removal of such fixed capital, there continues to be an "aging" of the production potential and an increase in its wear and tear. Thus, the wear and tear of fixed production capital in the national economy increased from 37.7 percent in 1985 to 40 percent in 1988, or by 2.3 percentage points. The accumulation of obsolete fixed capital is restraining the rate of intensification of production and the raising of the technical level and quality of output as well as the improvement of the ecological situation in the regions of the country. These are the objective consequences of the reduction of production capital investments, the increase in unfinished construction and the significant lagging of new progressive production capacities behind what should have been put into operation in accordance with the five-year plan. Under the existing conditions, it is necessary to activate all of the work for the renewal of the effective potential within the limits of the investment resources allocated centrally and earned independently by enterprises.

It should be noted that in planning practice for a long time there has been an underestimation of the need for a careful and comprehensive study of the proportions developing in the primary distribution of national income. In the elaboration of the balance of production, distribution and final utilization of national income, primary importance was and is, as a rule, given to the proportions of balance in production national income and national income used for consumption and accumulation. Such an approach was correct when the proportions in the distribution of net output produced in the branches of physical production for necessary and surplus product reflected the processes of the formation of the natural-material structure of national income.

The situation changed substantially in the years of the current five-year plan. The low efficiency of public production, the dramatic limitation of the directive influence on the formation of enterprise plans and their fulfillment, the lack of effective economic instruments for the stimulation of an increase in the volumes of production of output and the improvement of its quality, the slow rate of formation of a wholesale market for the means of production, a definite violation of the established economic ties between producers in the first stages of the mass transfer of enterprises to the conditions of self-financing and cost recovery, the low efficiency of measures to increase the export potential of processing branches of the national economic complex, and the worsening of the internal and external conditions for the importation of output all determined the nonfulfillment in the current five-year plan of the plans for the increase in national income. In the years 1986-1989, the increase in national income amounted to 68 billion rubles compared with the 96 billion rubles indicated in the five-year plan. Such are the processes taking place in the area of the formation of the resources of national income, among which a decisive role is played by the net output of the branches of physical production.

The situation is quite different in the area of the formation of the income of enterprises and the population. This involves above all the rate of increase of wages, which has been explosive in the current five-year plan. Under these conditions, the situation was aggravated by the lack of adequate measures for the tax regulation of the increase in income and the effective reaction of banks to the serious aggravation of the situation with respect to the monetary turnover.

All of this was manifested to a certain degree in the structure of the distribution of national income into the primary income of workers employed in physical production (necessary product) and the primary income of the branches of this sphere, including profit, turnover tax and other elements (surplus product). In this proportion, there were very serious deviations from the five-year plan, which to a considerable degree reflect difficulties in the balancing of the financial resources of the state. These deviations were manifested most strongly in 1989 and, as estimates show, will be maintained in 1990 (see Table 5).

Table 5. Structure of the Primary Distribution of National Income (percent)

Indicators	1990		
	Under the five-year plan	Under the annual plan	Deviation (+, -)
National income	100	100	—
—Share of necessary product	43.6	49.8	+6.2
—Share of surplus product	56.4	50.2	-6.2

Thus, in the current five-year plan, in the structure of the primary distribution of national income, proportions developed that are directly contrary to those that were outlined in the five-year plan for 1986-1990. Whereas the increase in national income in the 5 years was supposed to be determined 71 percent by the increase in

surplus product and only 29 percent by the increase in necessary product, a completely opposite proportion—39 and 61 percent, respectively—is actually coming about in regard to the plan for 1990. The basic reason for this is the substantial acceleration of the rate of increase in wages and other payments in comparison with the

estimates for the five-year plan and the lag in increasing surplus product, the increase of which was less than half of what was planned, whereby the noted lag is characteristic above all of such an extremely important element of it as profit. Objectively these processes are linked, on the one hand, with the elimination of many restrictions on the increase in wages and, on the other hand, with the inadequate efficiency of production. Hence the fact that the increase of the population's income greatly exceeded the mass of consumer goods and hence the shortage of state financial resources. In analyzing the named tendencies, one must not forget that the resources of surplus product are the main source of the formation of the accumulation fund, the maintenance of the material base of the nonproduction sphere, the ensuring of the living conditions of its workers and the increase in social consumption funds.

At the same time, the possible emission in 1990 of 10 billion rubles in macroeconomic proportions will be manifested in the fact that the incomes received by workers and enterprises in physical production will exceed the volume of production national income.

1986 (report)	1987 (report)	1988 (report)	1989 (report)	1990 (plan)
19.1	19.4	19.5	18.4	16.7

It is generally known that the accumulation standard must be established on the basis of an optimum relationship between consumption and accumulation taking into account the increase in efficiency and the improvement of the structure of accumulation. Prior to 1988, the directly opposite tendency—the decline in efficiency and the relative worsening of the structure of accumulation—worked against the lowering of the standard for production accumulation. The counteraction of this tendency will be strong in 1990 as well. The technical reconstruction of the branches of the national economy, the technical reequipment of the material base of the production of consumer goods, the resolution of the food question on the basis of advanced technologies and the solving of the environmental problem will require the allocation of substantial investments and consequently an increase in the mass of accumulation, whereby under the conditions of the restructuring of the economic mechanism, the action of the "Law on the Enterprise (Association)" and the adopted measures for the democratization of management as a whole and of planning in particular it will hardly be possible to counteract this tendency through the traditional means of the command-administrative system. At the same time, the preconditions and production base for economic

The fundamental shifts being carried out and planned in the structure of the most important national economic proportions aimed at strengthening the social orientation in the development of the economy are raising more and more acutely the problem of an immediate, real and perceptible turning point in ensuring the efficiency of public production on the basis of the introduction of new forms of automated equipment and progressive technologies and the establishment of ideal organizational-managerial structures. This has to do primarily with the fact that a sharp reduction of the accumulation fund can be only temporary under the conditions of the implementation of extraordinary measures to normalize the economy, because a continuation of this trend will lead in the near future to stagnation in the economy and in the final analysis to the limitation of possibilities for the development of the social sphere as well.

The extraordinary nature of the measures is clearly expressed in the dynamics of such a stable indicator over several five-year plans as the accumulation standard (ratio of production capital investments and the size of final product):

methods of regulation are just beginning to be established. It should be noted that in the preceding stage of development of the national economy, even under a relatively stable degree of accumulation, the established proportions could not ensure the steady development of the reproduction process, which led to a slowing of the rate of economic growth and a lowering of the level of consumption. In the 11th Five-Year Plan, it was planned to bring about a significant increase in the share of national income used for consumption (from 75.3 percent in 1980 to 78 percent in 1985) with the purpose of raising the well-being of the nation. The national economy, however, which had still not gone over to the intensive path of development, was unprepared for such an abrupt change in the proportion of national income, which in 1985 remained at practically the level of 1980.

The lowering of the rate of increase of capital investments throughout the three subsequent five-year plans (1971-1985) led in the conditions of inadequate efficiency of their utilization to a decline in the rate of increase of national income and in the final analysis to stabilization and then to an absolute reduction of the volume of national income utilized for consumption and accumulation (see Table 6).

Table 6. Dynamics of the Structure of National Income Utilized for Consumption and Accumulation (percent)

Indicators	1971-1975	1976-1980	1981-1985	1986-1987	1988	1989	1990
National income	17.6	16.5	15.9	6.5	26.1	22	22.1
Including							
—Consumption fund	14	13.8	12	7.5	18.3	29.9	32.9
—Accumulation fund	3.6	2.7	3.9	-1	7.8	-7.9	-10.8

The rather high dependence of the increase of the consumption fund on the level of accumulation of resources in the preceding period has essentially not been illuminated until recently in Soviet economic literature. At the same time, there has been a study of economic cycles in capitalist countries and that with the objective of unmasking, with the help of the basic positions of the theory of long waves, the apologetic nature of the bourgeois economic theories worked out under the conditions of the market economy.

The results of individual attempts of Soviet economists to propose their own explanation for some key elements of the mechanism of the long-wave process do not allow their use in the search for answers to a number of new questions arising in connection with the worsening of the general conditions of reproduction and the reduction of the efficiency of the management of investment policy under the conditions of a substantial limitation of the possibilities of the centralized influence on these processes.

It appears that the explanation for these phenomena must be sought in the existing relationships between extensive and intensive factors of expanded reproduction and in the nature of the interrelationships between the raising of the level of efficiency and the acceleration of the structural shifts characterizing higher stages of intensification and efficiency of public production. In other words, the higher the level of intensification of production and management of the economy, the less is the influence on the rate of development from the reduction of the standard of production accumulation and the greater is the importance of the level of efficiency of accumulation. The emphasis in 1990 was put precisely on the increase in the yield of the accumulated means. The necessary increase in the efficiency of accumulation (calculated as the ratio of the consumption fund to the accumulation fund) ensuring the realization of the social program is characterized by the following data (1985 = 100 percent):

1986 (report)	1987 (report)	1988 (report)	1989 (estimate)	1990 (plan)
98.3	105	103.7	112.3	135.1

There is no doubt that only efficient forms of the production system can generate such abrupt structural shifts. To compare, it should be noted that the structural revolution in the economy of developed capitalist countries in the 1970's and 1980's was based on the change in the method of production, that is, the transition from the flow-line and conveyor method to the flexible automated and science-intensive method.

The necessity of improving the production base on the basis of the acceleration of the introduction of the achievements of scientific-technical progress in production was noted at the April (1985) CPSU Central Committee Plenum. At the same time, management practice shows convincingly that the results of the development of technical and technological progress in our economy do not ensure the increase in efficiency necessary for the resolution of social tasks. The measures specified in the plan for 1990 provide for a breakthrough in the priority directions of the introduction of scientific-technical progress into management practice through the realization in State Order 14 of state scientific-technical programs and the program for cooperation in the area of the scientific-technical progress of the CEMA member countries and the MNTK (expansion non given) program. Overall reproduction continues to be based on an old production foundation, which to a certain degree is the

result of the increased tendency toward a reduction of the share of national income in the structure of investments and toward an increase in the share of amortization allowances for renovation. Whereas in the 9th Five-Year Plan less than one-fourth of capital investments were formed through amortization allowances, it was 39 percent in the 11th Five-Year Plan, 40 percent at the beginning of the current five-year plan and will be almost 47 percent in 1990. Accordingly, the share of national income in the volume of capital investments will decline from 76 percent in the 9th Five-Year Plan to 53 percent in 1990.

The tendency toward an increase in the share of amortization in the reproduction process of the production system of the economy deepens the structural crisis that is restraining a fundamental restructuring of the technical and technological base, because it basically leads to the replacement of individual obsolete machines and pieces of equipment with much the same thing. In addition, the absolute mass of own investment resources does not permit most enterprises to carry out a one-time and expensive complex technical reequipment and therefore to ensure the necessary scope and intensiveness of the renewal of the production system for a dramatic improvement of efficiency.

The existing situation is aggravated by the complication of organizational-administrative structures, the rise in price for a unit of production capacities and other manifestations of inflation in the investment and production complexes. It is especially difficult to realize the planned structural shifts between the first and second subdivisions of public production in the direction of a reduction of the share of the production of the means of production and of the share of resources for expanded reproduction in national income. The fact is that a change in the last proportion implies not only a further increase in the volumes of production of progressive equipment in significant quantities for the replacement of the active part of obsolete fixed production capital but also a dramatic increase in its quality level with a lowering of the unit cost of the main parameter (capacity or productivity). According to estimates by scientists from the Economics Institute under USSR Gosplan, the lowering of the cost of equipment newly introduced into production and ensuring the realization of the planned structural shifts and proportions must be 5 to 8 percent per year in the near future for individual kinds of machinery and equipment (for the metallurgical industry, for example). For the time being, we can ascertain the opposite tendency—an increase in the cost of fixed production capital. For industry as a whole in the years 1981-1985, fixed industrial-production capital increased more rapidly than production capacities by a factor of 1.3, that is, about one-third of capital investments went to compensate for this increase in prices.

The increased inflation in the first subdivision (which is expressed in an unjustified increase in prices, a lowering of the quality and consumption characteristics of products at an unchanged price, and postponed demand, that is, a shortage of necessary equipment and technologies in the presence of financial resources) sharply limits the possibilities for the stepped-up reequipment not only of the finishing branching of physical production but also of accelerated development of the nonproduction sphere, deepening already existing social tension.

One of the aspects of the necessity for the accelerated development of the nonproduction sphere is the problem of finding jobs for the able-bodied population, both those being released from physical production as well as those appearing as a result of the reduction of the size of the army (500,000). Our extensive economy could in principle absorb this much manpower. And the main thing is not even this but the fact that it is impossible to satisfy the growing requirements of manpower fully without additional investments and without an increase in the mass of production accumulation.

In characterizing the processes of the formation of the most important national economic proportions and structural shifts in the economy, we must not fail to pay attention to questions having to do with the need to improve the system of indicators reflecting these processes.

This is important in connection with the fact that the existing system no longer fully meets the demands of an objective and comprehensive analysis of the trends taking place in the economy in the current stage of its restructuring, because it is basically oriented toward the proportions for the formation of social product and national income, that is, reproduction processes taking place above all in the sphere of physical production. At the same time, the strengthening of the social orientation in the development of the economy and the necessity of implementing a comprehensive program for its financial normalization, the complication of the redistribution processes taking place in the national economy under the conditions of the expansion of the sphere of activity of the new economic mechanism, and the development of new forms of ownership are all making especially acute the problem of a fundamental improvement of the analysis of reproductive processes in the nonproduction sphere as well.

The significance of the processes taking place in this sphere has heretofore been underestimated, which was largely manifested in the inadequacy of the initial statistical reporting, without the development of which it is practically impossible to have in-depth analysis of the proportions of the formation and final utilization of the country's gross national product. This is obviously confirmed by the experience gained in the calculation of the specified indicator, which was introduced into the practice of economic analysis in 1988. Thus, it is currently calculated from the volume of produced national income with the addition of the sum of amortization allowances and also taking into account the magnitude of the volume of services largely determined through the method of expert estimates less their internal consumption. Precisely the calculation of this element of GNP is the greatest difficulty, for the lack of the necessary information does not permit the analysis on a system basis of the formation of the total volume of services in branch and territorial terms with the distinguishing of their most important elements.

The lack of statistical information that would characterize in detail the revenue and expenditures in noncommodity export-import operations, including the provision of various kinds of services in all areas of activity, does not permit the determination of this element of GNP either with the proper degree of accuracy.

The existing situation is also complicated by a number of other factors. As a result of the overall reduction of the number of indicators characterizing processes whose evolution covers the entire cycle from the enterprise level to the macroeconomic level, in the course of the elaboration of draft plans there is an aggregation of many of the most important elements of national income itself and primarily of the branch structure of the formation of the wage fund, deductions to social security, profit and others. In the stage of the elaboration and approval of the methods, there is research in the field of inflationary processes, whereby the most difficult thing is to develop the corresponding deflators. All of this cannot fail to

stemming from the system of indicators of the balance of the national economy, is required. This is precisely what is usually violated.

What do the indicators of the import and export of output, which are taken basically from the intersectorial balance, the computations for it, and delivery statistics, characterize?

These indicators reflect the movement of physical assets (raw materials, other materials, fuel, consumer goods) which add to the resources of a region or, conversely, are taken out of it. Hence, such indicators do not at all relate to financial, credit and certain other operations. They describe only the scale of the commodity exchange, the economic ties between regions and the closeness of the cooperation between them. These are the typical commodity balances.

Consequently, import and export indicators in no way pretend to evaluate the economic situation or the degree of economic independence. It is quite impossible to judge "who is living beyond their means" or "who owes whom" and to make an evaluation of the economic efficiency of regions on their basis alone.

Of course, one can earn on commodity exchange and one can also overpay. However, the fact is that financial resources are earned by regions not only in this case, and in certain of them—for the most part not in this case...

Where can one look for correlating indicators of this type?

The practice of other countries gives a suggestion: in the financial and payments balances of the regions. Indeed, the results of the operation of state, cooperative and public enterprises (profit, revenues), the turnover tax, state social insurance funds, taxes from the population, loans marketed amongst it, etc.—these are the most important channels for the formation of the financial resources of the regions. They can be redistributed between the local, republic and all-union budgets. All this should be reflected in the consolidated financial balance of a territory. The payments balance of a region, in which its settlements with other regions will be reflected, also needs to be compiled.

Those people are right who think that, in accordance with the practice accepted throughout the world, the economic situation of a country is evaluated not on the basis of the trade balance, which describes only the import and export of physical assets, but on the basis of the payments balance which takes into account all flows of financial resources. At present there exists the practical problem of the preparation of such financial documents by Goskomstat, the Ministry of Finance and the State Bank.

Thus, one must precisely mark the border between the trade, financial and payments balances of the union republics (regions) even though they are also interrelated.

An unfavorable trade balance still does not indicate anything. This or that region may have high indicators of

production efficiency and be an importer (vvozyashchiy). For example, because of the lack of mineral resources or the "injustice" of prices. It is important to understand that if a region imports more output than it exports it "pays for" this difference from its own funds. It is interesting that in 1987 the USA had an unfavorable foreign trade balance (-171.2 billion dollars) and an unfavorable payments balance on current operations (-140.6 billion dollars). But who is determined on the basis of a negative balance to call that country some kind of "hanger-on?"

Certain problems of the calculation of the indicators of the import and export of output, which will permit one to validly judge what, properly, the matter is about, also require commentary.

According to the data of the intersectorial balance for 1987, total export of output exceeds its import only in two union republics—in the Belorussian and Azerbaijan SSRs. But does it follow from this that all the remaining republics, including the Russian Federation, live at the expense of these two? It doesn't.

It is known that the balance of imports and exports is made up of two parts: the interrepublic exchange of domestic output (here the export of some republics is an import for others and the overall balance of the exchange will be zero) and the economic export and import turnover (in intra-union [vnutrisoyuznyy] prices).

Seven republics—the RSFSR, Belorussian, Azerbaijan, Ukrainian, Moldavian, Armenian, and Georgian SSRs—had a favorable balance in 1987 in the area of the interrepublic exchange of domestic output. The remaining eight republics were importers.

As far as foreign economic relations are concerned, all the union republics have a negative balance (in internal prices), ranging from 80 million rubles in the Tajik SSR to 32.4 billion rubles in the RSFSR.

As a result the overall balance of the import and export of output has become negative everywhere except the Belorussian and Azerbaijan SSRs, where the "positive reserve" on interrepublic turnover withstood the "negative" onslaught of foreign trade.

How can one explain this? Such a thing became possible because for the country as a whole we have a favorable foreign trade balance in world prices and foreign exchange rubles (by approximately 8 billion rubles in 1987). The volume of goods imported into the country, when one uses internal prices, substantially exceeded the volume of exported goods—on the order of 50 billion rubles.

There is nothing negative in such a result. It is the normal result of foreign trade, a manifestation of its profitability. What is exported is relatively cheaper in the producer country but is priced higher on the world market. And vice-versa, what is acquired is relatively cheaper on the world market but is priced higher on the

influence the reliability of the calculation of GNP, analysis on its basis and the planning of the most important national economic processes and structural shifts.

It should also be emphasized that the GNP is not only an indicator that covers the full extent of the production of goods and services (which determines its role in the study of national economy proportions) but also one of the most important components of the system of macroeconomic indicators utilized in the scope of international economic comparisons for the analysis of the rate and quality of economic growth of individual countries and their groupings. This puts particular demands on the indicator of gross national product and determines the necessity of improving the methodology of its computation and of developing primary reporting, without which there can be no system calculation of GNP.

The existing system of macroeconomic indicators does not permit good forecasting of the influence of a number of problems on interrelationships in the national economic complex, the necessity of whose resolution in the very near future will bring about serious corrections in structural and investment policy. This involves above all diverse aspects of the ecological limitation of economic growth, the necessity of implementing a set of measures in the fight against Aids, and also a number of other problems that are transnational in nature.

It is also necessary to note that this system does not fully meet the requirement for the more active inclusion of our economy in the system of world economic ties. It is thereby a matter not so much of expanding the list of utilized indicators of economic growth in the country that are necessary for a fundamental improvement of the work in the area of international comparisons as it is of their qualitative improvement. This primarily involves the analysis and forecasting of inflationary processes in the consumers' and investment sectors, which will make it possible to develop the necessary deflators for the evaluation of the real parameters of economic growth and the system study of the redistribution processes in the economy and financial problems in its development.

Of major concern is the fact that by virtue of the named reasons the practice of economic analysis is already lagging seriously behind those processes that are taking place in the economy under the conditions of the restructuring of planning, the development of commodity-money relationships and forms of ownership, the introduction of territorial cost accounting and the further improvement of foreign economic ties. This requires the adoption of urgent and constructive measures for the improvement of the methodology for the calculation of the most important macroeconomic indicators and also, as was already noted, for the restructuring of primary statistical reporting based on the indicators of the financial activity of enterprises in the production and nonproduction spheres, cooperatives and the population employed in individual labor activity.

Without this, in particular, the idea that several economists presented on the forced transition to the organization of economic analysis in our country on the basis of the utilization of a system of national accounts is ineffective. In the course of the implementation of the work at hand, it is essential to utilize all the experience that has been gained in the scope of the research carried out by specialized UN organizations on the problem of bringing closer together the national economic balance and the system of national accounts utilized in countries with a market economy and that being developed in a number of socialist countries.

All of this will make it possible to establish a system of indicators adequate to current requirements in the economic analysis of macroeconomic proportions and the planning of structural shifts in the course of the elaboration of medium and long-term plans for economic and social development.

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REGIONAL DEVELOPMENT

Interrepublic Balance of Trade Indicators Reexamined

904A0244A Moscow *EKONOMIKA I ZHIZN* in Russian No 10, Mar 90 pp 7-8

[Article by L. Mikhaylov, economist: "Who Lives and How"]

[Text] *Articles are appearing ever more frequently in the press commenting on the degree of reliability of indicators of the import and export of the output of the union republics calculated by USSR Goskomstat (State Committee for Statistics). Based on their own conclusions, the authors propose different variants for the commodity exchange of the regions and for the solution of price formation problems. Import and export indicators are, undoubtedly, important from the standpoint of the transition of the regions to territorial economic accountability and self-financing and of the choice of the basic paths of their development. The question is: how valid are the criticism and the conclusions from the statistical data?*

The only document that gives an unified picture of interregional commodity exchange is the intersectorial balance. However, statements that the data of such balances are "estimative and arbitrary" and "numerical casuistry" are not infrequent. The fact is that the indicators of the intersectorial balance of the production and distribution of output are strictly based on the data of the balance of the national economy of the union republics which correlates all the processes of expanded reproduction. That's the first thing. And the second is that in estimating the overall results of the commodity exchange among republics (the balance [saldo] of the import-export of output) a precise methodological approach,

internal market. One must also take into account in this case the high level of internal prices for imported products. Consequently, foreign trade has given the country additional commodity resources. The total volume of products which the country has come to have at its disposal is greater than domestic production by the amount of goods received, which is due to the effectiveness of foreign trade.

Nevertheless, the question is legitimate: at the expense of what republics did this occur? Each of them, of course, contributed their mite to foreign trade by their own export. However, in this case, it is important to take into account the correspondence of the actual import of goods into each republic in internal prices with its potential volumes stemming from the foreign exchange earnings from the export of its own output.

The higher than on the average for the USSR effectiveness of the export of the output of the RSFSR (to a significant degree due to oil and gas) has created an additional import potentiality of 12.4 billion rubles. It actually "transferred" this potentiality to other republics: to the Ukrainian SSR—3.5; Kazakh SSR—1.9; Azerbaijan and Belorussian SSRs—0.9 each; Moldavian SSR—0.8; Kirghiz, Georgian and Armenian SSRs—0.7 each; Latvian SSR—0.6; Estonian SSR—0.5; Lithuanian and Uzbek SSRs—0.4 each; Turkmen SSR—0.3 and Tajik SSR—0.1 billion rubles.

Using these figures one can construct analytical table No 1 of the balance of the import and export of output, which is **essentially hypothetical**, since in actual economic life such commodity exchange results are not totalled, but which still quite eloquently answers the question: "What's this, 13 republics are living off of two?"

Table No 1: Analytical Comparison of the Import and Export of Output in 1987 by Union Republics
(Excess of Imports (-), of Exports (+); bill. rubles)

Union republics	Interrepublic exchange of domestic output	Excess (-) or deficiency (+) of imports in comparison with the potentialities corresponding to foreign exchange earnings from exports	Total
RSFSR	+3.6	+12.4	+16.0
Ukrainian SSR	+1.6	-3.5	-1.9
Belorussian SSR	+3.1	-0.9	+2.2
Uzbek SSR	-3.9	-0.4	-4.3
Kazkh SSR	-5.4	-1.9	-7.3
Georgian SSR	+0.6	-0.7	-0.1
Azerbaijan SSR	+2.0	-0.9	+1.1
Lithuanian SSR	-0.4	-0.4	-0.8
Moldavian SSR	+0.6	-0.8	-0.2
Latvian SSR	-0.3	-0.6	-0.9
Kirghiz SSR	-0.5	-0.7	-1.2
Tajik SSR	-1.1	-0.1	-1.2
Armenian SSR	+0.6	-0.7	-0.1
Turkmen SSR	-0.3	-0.3	-0.6
Estonian SSR	-0.2	-0.5	-0.7

Although, as was noted, this table is a particularly estimated one, it is sufficiently illustrative in its economic content and faithfully reflects the role of the union republics in the unified national economic complex of the country.

The claim is often made that reflection of the export and import of output in intra-union prices is improper since the result does not depend on the true results of the economic activity of the republics if only because of the peculiarities of our price formation. It is suggested that the contribution of each republic to the foreign trade of the USSR be determined on the basis of valuing exported and imported output in world market prices. One can agree with these suggestions.

However, in the balance of the national economy and in the intersectorial balance of the country and the union republics, foreign economic relations are reflected in internal prices, as are all other indicators. Therefore, when determining the total volume of the commodity exchange of the republics (regions), internal prices and the national currency of the country (rubles) are used for adding up the amounts of the interrepublic exchange of domestic output and the foreign economic turnover. Additional computations are required for valuation in world market prices. What do their results indicate? (See Table No 2).

Table No 2: Export and Import of the Output of the Union Republics in World Market Prices and in Foreign Exchange in 1987 (mill. foreign exchange rubles)

Union republics	Exports		Imports		Excess of imports (-), of exports (+)
	Total	as a % of total	Total	as a % of total	
RSFSR	55,394	80.9	42,577	70.1	+12,817
Ukrainian SSR	7,547	11.0	9,078	14.9	-1,531
Belorussian SSR	1,980	2.9	2,226	3.7	-246
Uzbek SSR	865	1.3	735	1.2	+130
Kazakh SSR	480	0.7	1,548	2.55	-1,068
Georgian SSR	387	0.6	623	1.0	-236
Azerbaijan SSR	317	0.5	576	0.95	-259
Lithuanian SSR	491	0.7	720	1.2	-229
Moldavian SSR	221	0.3	630	1.0	-409
Latvian SSR	275	0.4	589	1.0	-314
Kirghiz SSR	36	0.05	471	0.8	-435
Tajik SSR	207	0.3	150	0.25	+57
Armenian SSR	43	0.06	317	0.5	-274
Turkmen SSR	54	0.07	131	0.2	-77
Estonian SSR	145	0.2	368	0.6	-223

Thus, only three republics—the RSFSR and the Uzbek and Tajik SSRs—would have been able to pay for their imports with foreign exchange. The rest would have been forced either to curtail their imports or to get into debt. The exports of many republics are insignificant.

Here one must take a further set of circumstances into account. The exported output of some republics is moved by transit through the territory of others, often by their transport. Some republics participate in the development of other regions, from which fuel, metal and ore are exported. Some economists believe that the volumes of exports and imports (if only in internal prices) should be redistributed among the republics (regions) as payment for transportation and other services. I think that this is an erroneous idea. **Such services are already accounted for in the interrepublic volumes of export and import.** It could not be otherwise when the computations are made within the framework of the balance of the national economy.

For example, in 1987 the Latvian SSR rendered transportation services in the export of the output of the petroleum and chemical industries of other republics by the Latvian Maritime Steamship Company and the republic's railroad transport. In the accounts of the import and export of output this will be reflected as the export of transportation services from the Latvian SSR to the republics from which the output is exported. However, in the example in question, Latvia theoretically can claim a share of the earnings from the products being exported (and even in foreign exchange).

The question of the commodity exchange of republics and regions through the purchases of touring visitors is

now quite a pressing one. Some economists correctly think that such commodity exchange, which is carried out not by organizations but by citizens, needs to be accounted for and reflected through the balance of purchases and sales by touring visitors. The entire difficulty here is in the gathering of information; valuation is possible only on the basis of appraisal.

One can assume on the basis of estimates that half of the republics have a positive balance in these operations and the remainder a negative one. The RSFSR, Tajik SSR and Estonian SSR have a "plus" in the range of 0.1-0.3 billion rubles. The Belorussian, Lithuanian, Latvian and Moldavian SSRs have a "plus" in the range of 0.4-0.6 billion rubles. The following have a "minus": the Turkmen and Armenian SSRs—0.2 each; the Ukrainian, Uzbek and Azerbaijan SSRs—0.4 each; Kazakh SSR—0.5; and the Georgian SSR—0.7 billion rubles. In the Kirghiz SSR there is equilibrium.

Let's turn now to the problems of price formation. The existing system of prices for primary and end products has a significant impact on the rates of import and export. The capital investments policy, the production structure and other factors also have an influence. Thus, the turnover tax on consumer goods made from agricultural raw material may be realized in the prices for finished products in the republics carrying out the final operations, although the republics producing the raw material also participate in their creation. Or, for example, subsidies (basically, for meat and milk) are usually paid out at the place of production (from the republic budget as a rule) and not at the place of

consumption. A change in the existing accounting procedure is equivalent to increasing the value amounts of the export of the indicated products by the producing regions.

Analytical estimates of the import and export of output in internal and world prices indicate that internal prices for primary products—petroleum products, gas, ferrous and nonferrous metals—are relatively too low in comparison with world prices. In addition, it leads to their wasteful use, to their being "eaten away." The indicators of output export for those republics which are specialized in the production of raw materials, the RSFSR primarily, are also put too low.

New wholesale prices will be introduced as of 1 January 1991. The scale of the changes of wholesale prices is still unknown. However, one can utilize the hypothetical maximum indices of the change of wholesale prices and rates in the thirteenth five-year plan. They can be used besides for particularly analytical and preliminary calculations. The indices would yield an increase in the price of the output of the fuel and raw material sectors: coal—1.9 times; oil—2.3; gas—2; peat—1.7; oil refining products (as a whole)—1.3; ferrous metals—1.33; non-ferrous metals—1.34; chemical products (as a whole)—1.21; and machinery and equipment—1.03 times.

Such an increase in the level of prices for coal, oil and gas would bring them up to the level of world prices. Naturally, the cost of construction, purchase prices for agricultural output and rates for hauling freight by all

types of transport would have to increase just as drastically. Mutual price rises throughout the entire chain of technological relationships in the national economy would also occur. The level of retail prices depends on the level of wholesale and purchase prices and rates.

What do the final analytical calculations of the indicators of the import and export of output in 1988, taking the factors enumerated above into account, indicate?

The question is one of distributing, first of all, the turnover tax over the territory of the country proportionately to the labor inputs of each of the union republics in the creation of the taxable output—cotton and woolen fabric, knitted goods, wine, tobacco and petroleum products.

Secondly, one of accounting for payments of subsidies by the republics consuming the subsidized output—meat and dairy products, sugar, canned fruits and vegetables, fish, cotton, etc.

In the third place, one of taking into consideration price changes for the enumerated output of heavy industry, based on the indicated indices.

And, fourthly, one of accounting for the balance of purchases and sales made by persons arriving in the republics and leaving them.

As a result of accounting for all the elements named, the import-export balance in 1988 will change (see Table No 3) as follows (billions of rubles).

Table No 3

Union republics	Import-export balance improved, worsened (-) due to					Total balance
	redistribution of turnover tax	compensation of subsidies by consuming republics	price changes for heavy industry output	balance of purchase and sale by visitors	for all the indicated factors as a whole	of the import and export of output, taking the influence of the indicated factors into account (internal prices)
RSFSR	-3.4	-5.1	16.6	0.1	8.2	-25.1
Ukrainian SSR	-1.2	1.6	-1.9	-0.4	-1.9	-4.8
Belorussian SSR	-1.1	1.7	-2.1	0.6	-0.9	1.2
Uzbek SSR	1.5	-0.0	-0.6	-0.4	0.5	-1.4
Kazakh SSR	0.2	1.0	-0.2	-0.5	0.5	-6.8
Georgian SSR	0.6	-0.3	-0.4	-0.7	-0.8	-1.4
Azerbaijan SSR	1.8	-0.4	0.0	-0.4	1.0	2.1
Lithuanian SSR	-0.4	0.8	-1.0	0.5	-0.1	-1.6
Moldavian SSR	0.9	0.3	-0.6	0.6	1.2	0.2
Latvian SSR	-0.2	0.4	-0.5	0.5	0.2	-0.5
Kirghiz SSR	0.3	0.1	-0.3	0.03	0.1	-1.1
Tajik SSR	0.4	-0.1	-0.2	0.2	0.3	-0.8
Armenian SSR	0.2	-0.3	-0.2	-0.2	-0.5	-1.6
Turkmen SSR	0.5	0.1	0.5	-0.2	0.9	0.6
Estonian SSR	-0.1	0.2	-0.3	0.3	0.1	-0.6

As one can see, the balance of the import and export of output would have improved in 10 republics, most of all in the RSFSR (by 8.2 billion rubles). It would have worsened in 5, in the greatest degree in the Ukrainian SSR (by 1.9 billion rubles). Two republics, the Moldavian SSR and the Turkmen SSR, would have become exporters instead of importers.

Of course, these are hypothetical calculations. The specific changes in price formation, in the computation procedure for exported meat, milk, etc., and in the distribution of the turnover tax reflected in them have not as yet occurred in real economic life. These are precisely the analytical, alternative commodity exchange calculation—that one often overlooks. However, the results of the computations indicate present trends in the development of economic relations.

How are the statistical indicators used by other authors? Take, for example, the article of V. Chepurensko in LITERATURNAYA ROSSIYA (No 50, 1989) entitled "It's Time at Last for Russia to Take the Floor." Or Yu. Rytov's article "The Union Republics: Who Owes Whom?" in PRAVITELSTVENNY VESTNIK (No 5, 1990), as well as other statements in the press. The information on the import and export of output in 1987 which they cited was taken from the computations and reports of USSR Goskomstat. However, its interpretation and the specific conclusions are open to question.

The whole point of calculating the import and export of the output of the union republics—in internal and in world prices—is to analyze the degree of imperfection of internal prices in comparison with the prices in effect in world economic turnover. In declaring that our "prices for raw materials are unjustified too low, whereas prices for consumer goods are far too high," some authors forget to add: "relative to world market prices." However, one cannot blindly transpose these prices for our internal needs. Given the difficulties in the country with the development of agriculture and given its excessive cost and excessive material intensity, is it really practical to use world prices for almost everything manufactured from agricultural raw material?

For example, the internal prices for many food products do not even correspond to actual production costs. The amounts of the subsidies for this output grow year in, year out.

It follows from some statements, in particular, that prices for oil should be increased and those for meat and milk decreased, driving them under the world level. Actually, they ought to be increased (at least in commodity exchange) also for meat and milk. Otherwise, what equivalent exchange can one talk about if the production cost of meat is under 5 rubles while it is exported at a price of 2 rubles?

Not paying attention to the fact that the interrepublic exchange has been recalculated in world market prices

and in foreign exchange rubles, i.e., in the purely hypothetical circumstances of an analytical procedure, conclusions are drawn that in 1987 Russia ought to have received 25 billion rubles more from the other republics or that almost 40 billion rubles of the net profit of Russia's enterprises was redistributed to other republics. One means by these amounts the interrepublic and total positive balance respectively of the RSFSR in world market prices and in foreign exchange rubles besides.

Excuse me, what are we talking about? These billions (and what is more in foreign exchange) never existed. And most likely with a change in the prices and computation procedure in the commodity exchange there would have been other totals (see Table No 3).

The following phrase has become no less popular: "As a result of non-equivalent exchange with the other republics, Russia annually loses more than 70 billion rubles." (In 1988, due to the worsening of market conditions, this figure was reduced to 64 billion rubles.) People believe this figure, but let's look into it. In 1987 the total balance of the import and export of output for the RSFSR was unfavorable in internal prices—"minus" 28 billion rubles. When calculated in world market prices it would have become favorable—"plus" 41.3 billion foreign exchange rubles. Add up these amounts (28.8 + 41.3) and you get 70 billion rubles.

Apparently all is correct. However... It is obvious that it is incorrect to compare value amounts in national currency on the one hand and in foreign exchange on the other.

Further. From what output would the difference of 70 billion "different caliber" rubles have been obtained? This would have occurred basically through the export of the more expensive products of the oil and gas industry—by 31.8 billion rubles (including oil—by 23.5, gas—by 5.3 and oil refining products—by 3) and of machinery and equipment—by 10.1 billion rubles; the import of cheaper light industry goods—by 12, food industry output—by 11 and agricultural products—by 4.4 billion rubles.

One can see from the indicators cited and an analysis of actual conditions in the country's national economy that the conditions do not now exist for reducing prices for the output of light industry, and even more so for food and agricultural products, to the world level. More thorough analysis indicates that the entire difference for machine-building output would be brought about at the expense of military output and not its civilian types. By the logic of things, this circumstance compels one to discard this output also from the calculations (what union republics within a single Union will pay through the nose for weapons?).

As a result 32 (or 45 percent) of the 70 billion "different caliber" rubles are left. This is already a quite different scale. As calculations indicate, the immediate prospect for the RSFSR as a result of price increases is that it should anticipate an even smaller financial effect than

the 32 billion rubles if one considers the sum total of all the factors that develop in an avalanche-like change of prices (wholesale and retail) and which influence both the change in the size of the national income (the basic source of financial resources) and the results of the commodity exchange (in USSR internal prices).

Any discussions concerning the results of the commodity exchange of the union republics in our troubled days should weigh the pros and cons, be based on computations and take into account the complexity of the economic life of the country. The computations cited testify to the great interdependence of the republics on the existing all-union market. They make one think about whether it is possible to easily and rapidly switch to other markets without inflicting serious economic damage on oneself and others.

Decentralized Tariff, Customs Policy Questions Discussed

904A0254A Riga SOVETSKAYA LATVIYA in Russian
1 Mar 90 p 4

[Article by N. Gusev, chief of the Latvian Republic Custom-House: "Customs Border Today and Tomorrow"]

[Text] The historical experience of international society reveals that customs work, in addition to defense and foreign policy, applies also to those spheres in which the interaction of states, within the framework of a different type of unions and associations, is most close and in federated states is included in the exclusive competence of the federation.

At the same time, under conditions in which the republic is converting over to economic independence, customs work must be augmented to a substantial degree by new content, that is, it must be given the opportunity to participate in the formation of all-union customs policy. Moreover, in the sphere of foreign economic activities the effectiveness of use of customs duties and other fees imposed upon imports or exports, or in connection with them, should be taken into account; control over the transferring abroad or from abroad of payments for imports or exports; the regime for internal legislative documents which regulate the importing and exporting of goods and the taxation (internal) of imported goods.

International trade-economic relations among countries—participants in the General Agreement on Tariffs and Trade (GATT)—clearly underscore the fact that one means for raising the effectiveness of customs regulation is that of simplifying and standardizing existing customs legislation, establishing a regime for unilateral inspection and others. As is known, the USSR has undertaken a course aimed at merging with GATT. Thus, in pondering the place of republic customs in the all-union picture, we must remember that in ignoring the mentioned trends and creating intermediate customs "borders" (including in a literal sense), the republic may encounter the problem of a loss of a favorable regime, a

reduction in economic profit and growth in expenses for the mechanism of customs regulation.

Today we are hearing more frequently recommendations for transferring the customs organs from the federation over to the republics. Moreover, such a transfer is being mentioned in a very general manner, with no specifics being furnished regarding the future status of the republic's custom house. In one instance—a minimum program—a possible organizational resubordination to the republic of the Latvian republic and Ventspils custom houses, in the absence of acquisition of the republic right of adoption of its own tariff and customs legislation. And in the second instance—a maximum program—a transfer to the republic of all powers in the sphere of customs operations, including the right to adopt its own customs tariff and customs legislation on other matters. Or as raised in the task established by the republic's Council of Ministers—the development of a draft law on the customs service in the Latvian SSR.

But the organizational resubordination of custom houses to the republic can lead to growth in the size of the state apparatus and in the number of Council of Ministers subunits, since a need will appear for creating an administration or department for state customs control within its structure and thus the organs of authority will be duplicated. For us, this is directly fraught with a weakening of interaction with the customs organs of the union and those located on the territories of other republics. The danger of a different interpretation of customs directions will increase sharply and there will be an increase in material expenditures, including for a possible rewording of the documentation in the Latvian language. All of this can lead to a disintegration of the unified technology for exercising control over the territory of the USSR and hence—a direct road to a sharp drop in its effectiveness, especially in the case of transport freight.

The program is implied to a maximum degree considerably more often. But here one should note immediately the existence in the future of a solitary customs rate and customs legislation on other matters that signifies the appearance of an isolated customs territory. That is, customs borders must pass between our republic and other republics. From the standpoint of customs houses, this signifies that the goods of one republic, shipped across such borders to the territories of other republics, must be viewed as being foreign goods, that is, subject to customs duties, import taxes and other fees. It bears mentioning that legislation in this regard is already under preparation in the republic.

The advocates of this concept are placing great hopes upon the fact that in this manner exported goods will be subject to various quantitative limitations. But let us examine more closely exactly what this maximum variant will mean for our USSR and the Latvian SSR, as a sovereign republic. From the union standpoint, a single union market will simply cease to exist. And from the standpoint of our republic, short-term benefits may

obviously be realized as a result of having protected our own internal market. But at the same time, Latvia, as already mentioned repeatedly by many economists, with the long-term interests taken into account, may be deprived of a number of important advantages, which it is presently receiving as a result of inter-republic barter and precisely—guaranteed deliveries of raw materials at sufficiently low prices and a ready market for finished products, a majority of which are non-competitive on the international market. The prospect of moving out onto the international market in the near future is still being viewed by practically all scientists as unrealistic. And if this is true, then the carrying out of the plan as conceived threatens even more serious economic crises.

Based upon the above, it is possible to draw the conclusion that the centralization of customs work at the present time is a prerequisite for the formation of a much-needed all-union market, one of the basic principles for its functioning and an indicator of its existence.

Certainly, it is not enough to defend the inadvisability of decentralization of the customs system. A need exists for constructive proposals for improving customs work during the course of the reorganization being carried out, especially given the fact that the republic is converting over to economic independence. An obvious need exists for the republic participating in the development of a customs tariff and for approving the rates for customs duties for consumer goods sent by postal mail or transported by persons crossing the state border. Such participation could be ensured by the inclusion in the established manner of representatives of the republic in a state customs-tariff council, the creation of which is called for in the draft law on USSR customs rates. The republics could develop independently a strategy for concluding international agreements on customs operations affecting their interests and they could also participate in the development of plans for such agreements through their representatives.

The creation of a republic administration for state customs control is deemed advisable. It could develop recommendations and undertake measures aimed at improving customs control and it could organize customs institutions. The republic must be given the opportunity to participate informally in the formation of an all-union customs policy.

A considerable portion of the customs income and receipts from other import taxes, the introduction of which is planned during further restructuring of the mechanism for carrying out foreign economic operations, must be added directly to the budget of the Latvian SSR (in some instances in international practice, the distribution of income from import taxes reaches 50 percent in favor of members of the federation and 50—for the center).

A far-flung network for state regulation of foreign economic exchange is in operation in all states. Its central element—a customs-tariff system. In reorganizing the

administrative system for foreign economic relations, we inevitably draw the conclusion that our customs-tariff policy will be the principal lever for regulating them.

Georgia's Transition To Economic Independence Discussed

904A0269A *Tbilisi KOMMUNIST GRUZII in Russian*
No 1, Jan 90 pp 30-38

[Excerpt of interview with Valerian Sergeyevich Adbadze, people's deputy and doctor of economic sciences, by R. Akhmeteli, KOMMUNIST GRUZII section chief: "We Will Continue the Struggle"]

[Excerpt]

[Passage omitted]

[Akhmeteli] Since the Georgian economy is in an extremely grave situation, it obviously follows that one must take into account all that has been stated in connection with implementation of the laws aimed at achieving economic independence for the republic and, in the future, when determining the model of the economic system needed and placing it in operation.

[Adbadze] The radical reform is still not being carried out in a radical manner. On the one hand, the enterprises appear to have been given rights and yet, on the other, the ministries still retain them and thus the administrative system, just as in the past, continues to be rather strong. Truly, many enterprises have still not converted over to cost accounting. The situation is complicated by maladies, so to speak, of the "transitional" period. Some enterprises have seized upon independence as an opportunity to disrupt existing relationships completely and to develop their activities only from the standpoint of profits accruing to them. I have in mind mainly those enterprises which are located beyond the borders of our republic.

We obtain the various types of raw materials, resources, lumber and so forth from others, mainly from the Russian Federation. Under these conditions, a rejection by the federation and also other republics of agreements that were signed earlier (and there are many such incidents) places our economy in an extremely grave situation. There have been instances when former partners have rejected new agreements, often linking this to the conversion of Georgia over to economic independence.

The movement towards economic and, if you wish, complete political independence, by no means is meant to imply that in one stroke we should abandon the national economic system of the Soviet Union to which we have belonged for dozens of years. The severing of all of these economic "arteries" would be tantamount to a catastrophe. It goes without saying: the existence of relationships must not contradict the criteria for economic advantage and yet one fact is clear—the conversion must be carried out in a gradual manner. I believe that if a particular enterprise is not pleased with the

absurd situation will be created which will only underscore the imperfect nature of the country's principal law.

It bears mentioning that the Ukraine and Moldavia, having already developed their own concept of economic independence, are discussing this problem in real earnest. It can be stated that Armenia is leaning in this same direction, although it is being severely hampered by complicated problems associated with recovering from the earthquake and the difficulties in the Nagorno-Karabakh Autonomous Region.

Definite movement in this direction is also being observed in other republics. For example, extremely symptomatic speeches were delivered during a session for deputies from Kazakhstan and Uzbekistan, in which emphasis was placed upon the fact that despite rich natural resources, the people of these republics are deprived and living under conditions of extreme poverty.

[Akhmeteli] Valerian Sergeyevich, I wish to thank you for this interesting discussion and together with you I wish to express the hope that the active position taken by the deputation from Georgia will serve as a guarantee for achieving sovereignty for our republic.

Joint Enterprises, Free Economic Zone Proposed For Tajik SSR

904A0247A Dushanbe KOMMUNIST

TADZHIKISTANA in Russian 21 Feb 90 p 3

[Article by A. Zavulunov, head of the Department of Foreign Economic Relations of the Council for the Study of Productive Resources of the Academy of Sciences of the Tajik SSR and Doctor of Economic Sciences, and D. Karimov, corresponding member of the Academy of Sciences of the Tajik SSR and Doctor of Economic Sciences: "Republic in the International Market"]

[Excerpts] The radical restructuring of foreign economic relations, which has commenced in the USSR, is directed towards increasing the role played by foreign trade in accelerating the country's socio-economic development. The great amount of social and economic tension in our country is explained to a large degree by the fact that our economy has not been included in the international system. Thus we have fallen behind the world's developed countries at the technical and technological levels in production organization, in the nomenclature for products and in operational methods. As a result of all this, the effectiveness of social production started falling and a decline was noted in the level of labor productivity.

The inclusion of the country in the international economy will make it possible to eliminate socio-economic tension and to extricate the country from this situation. The experience of the KNR [Chinese People's Republic] and new industrial countries reveals that the

successes achieved by them were associated mainly with the inclusion of their economies in the international economy.

The traditional forms of economic collaboration are incapable of ensuring dynamic economic growth. Thus a program was followed aimed at developing direct economic contacts, creating joint enterprises, establishing scientific-technical relationships and others. The functions of foreign economic activity in the various areas have been turned over to—the ministries and departments of the republics, to associations and enterprises, and the USSR Ministry of Foreign Economic Relations has been assigned control over the observance of state interests in the foreign market.

[passage omitted]

Under the conditions imposed by a shortage of investments, one principal and effective trend is that of attracting foreign capital and modern equipment and technologies, for the purpose of creating joint enterprises in the leading branches of industry. However, this new and promising form of foreign economic activity is being introduced into our republic very slowly. The foreign firms still appear to be unwilling to "come" to us. As yet, there are only three joint enterprises: one with an American firm and based upon the Ministry of Light Industry—a fur production association; a second—based upon the Ministry of Grain Products—a joint Soviet-Swiss enterprise for foreign tourism; a third—attached to the Dushanbe gorispolkom [municipal executive committee] for housing construction. In all, the country has more than 1,000 joint enterprises.

Although the construction of the fur production association is for the most part being carried out successfully, the question concerning the availability of raw material resources (pelts, caustic soda, salt and others) has still not been fully resolved. And it requires credits for raw materials and other materials. The enterprise also has many other unresolved problems: a current account (foreign currency and ruble) has been opened in Zhilsotsbank and money is being added to the account. But the enterprise cannot use it (for purchasing equipment or for paying for raw materials and other materials). Each time it is necessary to fly to Moscow in order to carry out some operation. The American firm is unable to open its own current account in Dushanbe. The problems concerned with providing the enterprise with apartments and vehicles are being resolved very slowly, and this is inhibiting the timely invitation of specialists from abroad.

The foreign enterprises and firms usually strive to invest their capital in regions which already have prepared social and production infrastructures and a skilled working force.

Among the more important factors restraining the development of the republic's export potential and the inadequate number of joint enterprises that have been created, the following four should be singled out.

existing economic relationships, it should make this fact known in advance, by 1-2 years, in order to have time for maneuvering. Otherwise, not only the Georgian economy but also other republics will find themselves in a catastrophic situation. Such a development of events will cause harm to the entire union.

There is no objective basis for assuming that the desire of union republics to acquire independence is arousing hostility in the center. I believe that the Russian Federation, under the conditions imposed by independence, must remain our number one partner in the areas of economics and culture and in the military and religious spheres. Thus it would also be unprofitable for the RSFSR to break off economic relationships with us. A great amount of work obviously remains to be carried out in this regard.

The question involves a matter of principle: the presentation of economic independence to union republics and the implementation of radical economic reforms must in no way bring about a breakdown in economic relationships. To the contrary, they must be further strengthened and become more efficient based upon mutual economic advantage. It is precisely on this basis that an all-union market must be formed which, in any case, will be better than that which we will have in the immediate future.

Special concern is being aroused not only by the fact that we are failing to carry out an entire series of planned tasks and delivery agreements, and this is placing us in an extremely grave financial position, but also because the restructuring of economic relationships is being carried out extremely slowly and with great difficulty. In particular, even such already obsolete "new forms" of management such as intra-organizational accounting, contracts and leases are not being introduced into operations, stock shares by enterprises and non-departmental production associations are not being disseminated on an extensive scale, and so forth.

The low rates for the restructuring of economic relationships in Georgia are conditioned by various factors. Included among them are certain objective factors, for example, the shortcomings that exist in supply operations. However, other so-called subjective factors are just as significant. I have in mind, in particular, the training level for leading personnel. We actually do not have "businesslike" personnel (in the fullest sense of this word) available in this sphere, individuals who are capable of functioning in any situation.

Earlier it was easy to manage an enterprise, all of the conditions—the production volume, the suppliers of raw materials and other materials and the consumers of the products—were determined in advance. Under these circumstances, the leaders of enterprises did not have to rack their brains—it was sufficient to merely resolve the problems concerned with production organization. Today the situation has changed sharply—the work must now be carried out in a creative manner and not everyone is capable of doing this. Thus importance is

being attached to instructing and training the personnel. It is well that we have opened up several schools for managers and yet a shortage of qualified teachers is being experienced. Obviously, a need exists for training such teachers in leading centers in the West.

With regard to management for the restructuring of economic relations at the state and republic level, I believe this is absolutely necessary. For example, such organs have been formed in Estonia and Lithuania and they are directed by two individuals who are well known in our society—R. Otsason and Ye. Prunskene. The structure of our republic's Council of Ministers includes an economic department which, if its status was to be raised, could direct the work of restructuring economic relations.

Following the conversion over to economic independence, the need for such an organ will become especially obvious and this will make it possible to raise the organizational work associated with the restructuring of economic relations to a new and higher level.

[Akhmeteli] Along the road to truly implementing economic independence for Georgia, one obstacle could be the adoption of already prepared draft laws of an economic nature. Are not all of these "fundamentals" and "general principles" too detailed in nature? It would appear that centralism in reality has been retained and yet independence is tolerated only in measured dosages, in the form of a "required minimum."

[Adbadze] I agree that quite often documents of an all-union nature, those adopted during a session or published for discussion purposes, are defined to an excessive degree. I believe that the union laws must be general in nature. Moreover, such basic laws as the law on ownership must initially be adopted at the republic level and then later—at the all-union level. The same structure of ownership cannot exist in Georgia and also in Estonia or Kazakhstan.

At the same time, it should be stated that under no circumstances will we have a lower level of economic independence than that defined in the law governing economic independence for the Baltic republics. Nobody has the right to sever our rights in the law governing economic independence for Georgia. We can campaign for more but we can never agree to less. At the same time, it is my opinion that when converting over to economic independence we will not have to exert as much effort as residents of the Baltic region, since we will be traveling the path laid out by them.

Along the path leading to economic independence and sovereignty, we still have one "reserve" for overcoming a possible obstacle. I have in mind the fact that Georgia is the fifth republic to have asserted its sovereignty based upon its own laws. If three more republics are added to it, then the Presidium of the USSR Supreme Soviet will have to hand down a decree stating that the laws of more than one half of the union's republics are invalid, since they are in conflict with the USSR Constitution. An

The first—the administrative bureaucratic system of economic administration has created such an expenditure mechanism for management that the economy now turns out to be unreceptive to innovations and non-competitive and, it follows, unable to join in the international system.

The second—A low technical level for the republic's economy compared to the average union level: in a group ranging from 5 to 10 years, not less than 50 percent of the equipment in machine building and metal working is obsolete and items more than 10 years old—physically worn out for all practical purposes. In other words, more than one half of the working equipment in this branch is in need of renovation. A similar situation is found in other branches of industry and this means that the republic's export structure leans more towards raw materials and products marked by a low degree of processing.

The third—the undeveloped nature of the production infrastructure (transport, warehouse, refrigeration and power engineering economies).

The fourth—low availability of objects of the socio-domestic infrastructure.

Naturally, under such conditions the foreign firms do not wish to "come" to Tadzhikistan, even though the republic is described as being rich in natural resources and unique natural-climatic conditions which, in combination with considerable labor resources, make it possible to improve the republic's economy in an effective manner. Thus the primary task consists of creating an economic mechanism, attracting foreign firms in a more active fashion and launching campaigns aimed at developing the republic's resources.

Governmental decrees on stimulating the foreign economic activities of state, cooperative and other enterprises, associations and organizations have provided the Far Eastern economic region with rather considerable privileges. At the same time, this region, in terms of its geographical location, possesses considerable advantages compared, for example, to the Tajik SSR. These advantages have to do with the consumption of available resources, including a freely convertible currency, and also the release of joint enterprises from having to pay a tax on profits during the first three years that such profit becomes available. Regional aspects are not properly reflected in the new mechanism for foreign economic relations. How is it possible to interest the local organs of power in mobilizing additional export potential? What privileges should be established for resources? A solution is needed for these and other problems, since it will aid in defining correctly the strategy for developing the foreign economic relations for a particular region. In order to stimulate foreign economic relations, a need exists for placing in operation an economic mechanism which will coordinate the interests of individual territories and branches participating in the creation of joint enterprises with the firms of foreign countries. The absence of territorial differentiation in the existing

system of advantages for joint enterprises lowers the interest of foreign firms in locating them far from the center, in the various regions. To the contrary, territorial differentiation in the system of taxation, through the establishment of appropriate advantages, lower rates for services for the production infrastructure and reduced norms for payments for labor and natural resources, will raise the interest of foreign firms in our region. In other words, both in the Far Eastern economic region and in Tajikistan, legislation must be introduced freeing the joint enterprises from having to pay tax on profits during the first three years that such profit is obtained. Ideally, the tax on profit created by them in the republic should also be reduced to 10 percent and no tax should be imposed for a certain period of time upon that portion of the profit due a foreign participant when transferring it abroad. More favorable conditions must be created for investors and they must be released from having to abide by certain formalities.

Importance is attached to the relationships established between the joint enterprises and the territory on which they were created. For achieving a high operational effectiveness between the joint enterprises and a region's economy on the whole, mechanisms are needed for ensuring coordinated actions on an equivalent basis. The local organs of administration are economically responsible to the enterprises for the quality of the resources and services made available, for interruptions in the supply of power and fuel and for creating normal conditions for their workers. Improvements in the foreign economic activities must be directed towards the structural reorganization of the economy.

A number of practical steps must be carried out in this direction.

During the next few years, the processing of cotton fiber in the republic must be increased considerably. The construction of a number of spinning and weaving enterprises, other enterprises of the light industry and labor-intensive production operations as called for in the Basic Directions for Economic and Social Development During the Period 1986-1990 and for the Period Up To the Year 2000, can be carried out fully as joint undertakings with other countries.

In the future, the high rates of growth in labor resources will require priority development for the labor-intensive production operations in machine building. In essence, this involves the creation in the republic of scientific-intensive production operations.

An important trend is the accelerated development of a horticultural wine-making complex and an increase in the production and deliveries of citrus crops. Tajikistan can become a large exporter of seedless grapes and raisins. The republic can also increase considerably its production and delivery of citrus crops. The outlook is as follows—the organization of joint enterprises for the

production and sale of lemons and products obtained from their processing, with the aid of foreign investments and technologies.

And finally, a promising trend—the development of foreign tourism, mainly through the creation of joint recreation complexes in the republic (mountain-skiing, health resorts, hotels).

One of the chief means for increasing the flow of foreign investments could be the creation in the Tajik SSR of a free economic zone. This would be a long-term form for economic collaboration among countries. In the Tajik SSR, such opportunities are to be found in Kurgan-Tyubinsk Oblast, Dushanbe and in adjoining regions. In Kurgan-Tyubinsk Oblast, favorable factors exist for the development of labor-intensive branches of the textile industry, the agro-industrial complex and machine

building. Dushanbe's scientific-technical potential is permitting the development here of scientific-intensive production operations and also the construction of joint operations for the leading branches of the city's national economy.

At the same time, work should commence in connection with solving the problem of creating a free zone for border trade with Afghanistan.

What is the conclusion?

The foreign economic activities of the Tajik SSR must affect all aspects of the region's economic and social development while solving two principal tasks: accelerating the republic's socio-economic development and increasing the republic's contribution towards the export potential of the USSR.

Among those who preach a free market is publicist, Candidate of Economic Sciences V. Selyunin. Ye. Spiridonov, the editor of the wholesale trade division, talks with him.

[Spiridonov] Vaspiliy Illarionovich, despite the fact that none of the 11 five-year plans the country has undergone was fulfilled on the basis of physical growth indicators, we are still fearful of removing the "icon" of the plan from the wall. It is as if the conviction prevails that the plan conceals some sort of unknown force which we will place in the service of socialism at some instant in the very near future. Therefore, even as we conduct the economic reform, we still shackle the independence of the enterprises with control figures, state orders and allocations of material resources.

You are an economist through and through; you work with numbers in your statements as a publicist, and you have even developed your own procedure for measuring our economic growth, one which gives results that are often divergent from official statistics. Therefore my first question will be this: Why do you reject outright the idea of peaceful coexistence between the plan and the market even in the period of transition?

[Selyunin] This period of transition has already gone on too long. As far as I can remember, wholesale trade in the implements of production was announced back at the September CPSU Central Committee Plenum in 1965. With the easy motion of the hand of the then-Deputy Chairman of USSR Gosplan Aleksandr Vasilyevich Bachurin, they wrote the following in the resolution of the 24th CPSU Congress: go over to distribution by means of wholesale trade. "Distribution by means of wholesale trade!" How do you like that? It's like fried ice!

Of course, all that has come of it is distribution—there's no trade of any kind going on. It should have been clearly stipulated right then and there: either we are trading, or we are distributing, because rationing cards and wholesale trade are mutually exclusive things.

If the enterprises themselves sign contracts for delivery of products without compulsory assignment to clients, this is still not wholesale trade. The situation must be such that the contract would decide everything, and that it would precede distribution. And if the plan is as precious to you as memory, then write contracts into it: what will go to whom, who will produce what, and who will buy and use. Then the plan would simply ratify the optimum economic ties that have already been established—that is, it wouldn't have any purpose at all. Why must everything be spelled out through legislation? A contract is more effective than any sort of plan.

[Spiridonov] But why "either-or"! As an example, the USSR Gossnab is implementing the conception of gradually introducing into the market any products for which the demand is close to saturation. That is, whatever there's not enough of, for the moment let's distribute it on the basis of funds and allocations while increasing production by all possible means, and later....

[Selyunin] Let me assure you that nothing will come of it. The experience of our own economy suggests this. This is the way they tried to solve the shortage problem back in the 1920s. What heroic efforts directed at increasing output of so-called "shock" products can lead to is demonstrated in Kritsman's book "The Heroic Period of the Great Russian Revolution," which analyzes the economy of "war communism" in detail.

[Spiridonov] Well, take soap today for example. It's also a "shock" product here....

[Selyunin] Yes, we've gone full circle. We've planned things so much that there's nothing to distribute. And this should have been foreseen. Kritsman was a proponent of rigid centralization, but being a conscientious researcher, he made an inexorable conclusion: If some goods were to be distributed, and others were to be traded, the economy would find itself on the skids. By bringing all of our weight to bear upon production of "shock" products, we unwittingly pull the blanket of resources over to one side of the bed, leaving the other side uncovered. A new shortage appears. We can't keep constantly increasing production of everything. A new product makes its appearance, and the demand structure changes. Resources are switched to one production operation, and their consumption is reduced in another. But the plan is unable to always foresee changing demand. This can be done only by the market, in which the balance of supply and demand is established automatically owing to equitable prices and competition. In its presence, production does not become isolated from consumption: a confusion-causing distributor of resources and a management unit not responsible for its actions do not stand between them.

[Spiridonov] Are you trying to say that by making the plan law, we have consequently perpetuated shortages, inconsistencies and imbalances? Recall how much energy directive bodies, and journalists as well, invested into seeing that plans would not be adjusted in the course of a year, especially in the direction of reducing them. And now the enterprises are granted the right to draw up and approve their own five-year plan, one which would ensure the necessary growth of cost-accounting income for them. But having released them from rigid centralized planning, we immediately tied the hands of the enterprises with state orders, control figures and allocations.

[Selyunin] Precisely so. If we go on planning, then each year we will have to answer over and over again the riddle of the chicken and the egg—which came first? The quick-witted ones say, "Before this all started, both were available." We, on the other hand, are truly forced to answer the same sacramental question over and over again: What comes first—the supply plan or the production plan? Workers of USSR Gossnab complain that planners provide the production plan after the supply plan has already been drawn up. Were it otherwise, they say, resources could be ordered strictly in keeping with planned production output. But the reasonable answer

given to this in USSR Gosplan is this: How are we to arrive at a production plan when you do not give us orders for what the enterprises will need in the following year? After we gather your orders together and summarize them, we can decide who is to produce what, and who is to supply what. The suppliers say to the plant workers: "Give us your orders for resources ahead of time!" "What orders," the latter reply, "when the plan is still nonexistent? What are we to orient ourselves on, if we still don't know how much products are needed by the consumer, and in what assortment?" And so we can go on debating this until we turn blue. This is why everything is going on in the only manner it can go on in a planned economy. First they gather the orders together, so that at least something could be turned down. The orders are summarized, and then passed higher up. Because the orders are for maximum resources (the production plan is not yet known, after all), they are cut. Just like in the parable about the three-humped camel: "Write an order for a three-humped camel," they tell the supplier. "Why?" "What do you mean, why? They'll cut one hump off, and then you'll get what you need."

[Spiridonov] Seeing that planning will not be able to establish a balance between production and demand, the conservative wing of economists and politicians is willing to make a concession in favor of the market only if the word "socialist" appears there somewhere, taking this to mean planned regulation of the market mechanism, similarly as observed in the Western economy. How do you feel about the concept of a "socialist market"?

[Selyunin] In my opinion, the market cannot be either capitalist or socialist today. Either the market exists, or it does not. Tell me this: When socialist countries trade with capitalist countries, what market do they do this in? In a capitalist-socialist market? As far as regulation of the market is concerned, the market simply can't be left to its own devices in a civilized, integrated world. The state regulates economic ties in the West as well. But it never comes into anyone's mind to impose physical indicators on enterprises. Therefore it doesn't make any sense to substitute the idea of the guiding hand of the state in the West by our planning. Specific-purpose financing of the most effective scientific and technical programs is an example of using levers to control the market (note—not production). Thus, in its time the U.S. government paid for the Apollo program, the outlays on which were fully compensated after the associated technologies were transferred to the "civilian" marketplace.

In our country, enterprises working at high profitability are literally fleeced by the state in favor of sickly operations. Therefore they aren't especially interested in scientific and technical progress. In countries with a market economy, the state does the reverse, supporting development of the sectors in which it is interested. It might provide them with low-interest loans, reduce their taxes, and release them completely from making payments into the budget for a certain time. This is why there is keen

competition for central orders, for assimilating the scientific and technical accomplishments in behalf of which the state is prepared to open its pockets. In short, what we are talking about is not direct but indirect regulation of the economy. And references to it can in no way rehabilitate our continuing global control of material production in the name of satisfying demand determined from above.

[Spiridonov] But in the 12th Five-Year Plan, isn't it true that the plan is what precisely determines the priorities which, if satisfied, would make it possible to change the structure of the national economy in favor of those sectors upon which growth of the material well-being of citizens depends primarily?

[Selyunin] Well, let's analyze the priorities of the five-year plan. The first priority is on machine building. It has in fact fallen behind. It hasn't been receiving the capital investments it deserves for decades. As a result, the active part of our fixed capital is renewed every 20-25 years. In developed Western countries it is renewed every 7-10 years. But you can't obtain new equipment with old capital. A decision has now been made to dramatically renew the production machinery. We're cutting a wide swath. Our plan is to increase capital investments into machine building sectors by a factor of 1.8. By the end of the five-year plan, 90 percent of all of their products should correspond to the world level.

In order to dramatically increase investments into machine building, we had to raise the share of accumulation in utilized national income. And we took this route as well—something we had not done since Stalin's time. We increased the percentage from 25 to 27.6. Naturally the share of the consumption fund decreased.

That's according to the five-year plan. But what really happened? In 1985, 8 rubles 90 kopecks of every hundred rubles of capital investments went into machine building. And how much do you think machine builders received in 1988? Four rubles 60 kopecks! Almost half less. We went out for wool, and we came back sheared. We wanted to increase allocations into a priority sector, while in reality we cut them.

Logically, as long as we were unable to attain the planned capital investments into the sector, the rate of its development should have decreased as well. But in 1988 machine building developed at a rate 1.6 times greater than all other industry. So what's wrong with that?, the reader might ask. Why pour state appropriations into machine building if it is able to develop at an unbeatable clip anyway? But you can't deceive the economy. Machine building outstripped the other sectors by a factor of 1.6 not in terms of the machine tools and machinery it produced, but in terms of prices. As far as utilizing the worn pool of equipment, 26.5 percent of the machine tools of the principal shops of machine building enterprises are not fully loaded even in the first shift.

AGRO-ECONOMICS, POLICY, ORGANIZATION

VASKhNIL President Discusses Land Ownership, Other Reform Issues

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9 Jan 90 pp 1-2

[Interview with A. Nikonov, president of the VASKhNIL [Academy of Agricultural Sciences], by V. Virkunen: "This Is What I Think, Confess and Believe"]

[Text] We have entered into a new year, 1990, which must be a turning point in the realization of the economic reform in the system of the agro-industrial complex. Throughout all of last year, SELSKAYA ZHIZN dedicated its pages to a conversation on ownership, on the attitude toward the land and on new forms of management. Participating in the developing discussion with their proposals were lessees, cooperative workers, farm managers, economists and scientists. The discussion became significantly more active after the article "Leasing: Why Are We Delaying" by V.V. Shvets, chief economist of Sovkhoz imeni Manshuk Mametova in Tselinograd Oblast, which was published on 5 August. Despite all the different opinions, all of the participants in the conversation are firmly united in the idea of affirming the manager on the land. This is the topic of today's interview.

[Virkunen] Aleksandr Aleksandrovich, what conclusion can one draw in summarizing the preliminary results of the discussion in SELSKAYA ZHIZN? In your view, did it help the economic reform in the system of the agro-industrial complex?

[Nikonov] I think that it certainly did help. Many opinions of readers were reflected in the draft laws on the land and on ownership, which are now being discussed extensively. The conversation in the newspaper on the search for ways to restore the manager on the land was certainly useful. And it should be continued. The past year brought us not just disappointments and difficulties. We began to understand in considerably greater depth the essence of the transformations that we have to accomplish.

I want to note once again the tremendous importance of the March (1989) Plenum of the CPSU Central Committee. It is impossible to agree with those who doubt the constructiveness of its decisions. It is obvious that we cannot get along without fundamental transformations of production relations and without putting the manager on the land.

There is an attack under way against the multiplicity of forms of ownership and management and against their equality of rights as declared by the plenum. In so doing, use is made of the theme of the undermining of traditional large-scale forms of management—kolkhozes and sovkhozes. One cannot by any means agree with this, as indicated by the materials published in SELSKAYA ZHIZN.

The March Plenum proclaimed the multiplicity and equality of rights of forms of ownership. Dogmatic blinders fell from people's eyes. They adopted the Bases of the Legislation of the USSR and Union Republics on Leasing. The most important thing that was achieved last year was the passing of draft laws on ownership and on the land. And in all of this, of course, were the merits of those authors who participated in the discussion that developed in the newspaper on important questions in the agro-industrial complex.

[Virkunen] We have the most extensive fields in the world. And, from the point of view of common sense, it is even difficult to imagine how, with the best black soils in the world, the USSR is the largest importer of grain in the world market. How could such a thing happen?

[Nikonov] There are many reasons for this. But the main one is that we have lost the landlord, having separated the peasant from the land. The nationalization of absolutely everything, especially the land, led to this. What the decree of 26 October 1917 gave to the peasants, which they fought for on the battlefields of the civil war, was in fact seized from them. The bureaucratic system of managing the state took the land away from the peasants. This happened at the end of the 1920's and beginning of the 1930's. The system began to dispose of the land without asking the people for their consent. The best remaining peasant machine operators were transferred to machine and tractor stations, where they were turned into day workers.

From my own experience, I am familiar with the tragedy of our peasantry, above all of the non-chernozem, original Russian lands. My homeland was once a large boisterous village near Pskov. Now everything has gone to waste there. Even the road has been overgrown by the forest. There is a pile of stones where my parent's home once was. It is astonishing.

The draft of the new Law on Land establishes the conditions for the affirmation of a true landlord in the person of the peasant, who manages the work himself. This may be a kolkhoz, sovkhoz or cooperative. A peasant labor farm that unites in cooperatives may also function on a par with these forms. The logic of development leads it to this. The draft of the new law provides for freedom of choice and is in accordance with international human rights. Under the formula adopted by the Supreme Soviet, the land is the property of the people living in the territory in question. Peasants who received it with the right of inheritance are possessors of the land.

[Virkunen] It seems to me that there is a contradiction here. On the one hand, the land is the property of the people. As the peasants used to say, it is God's land. Man did not create the soil, nature did. On the other hand, the land must have a specific rather than an abstract or theoretical landlord.

[Nikonov] Yes, there is a contradiction. The land is like water, the air and sunshine. And to encroach on the property of nature and to assign it to an individual

person is not only illegal but also immoral. For this reason, the draft Law on Land foresees the categorical prohibition of trading in the land and turning it into the object of buying and selling.

And at the same time, the peasant receives the right to possess the land, to manage it independently, to determine what to sow and how, and to receive an income from the land and to distribute it independently. Thus, the new Law on Land departs from nationalization and turns the land over to the people, to those who cultivate it. By the way, Lenin's Decree on Land provided precisely for the distribution of the land to all. Only the soviets of people's deputies would be dispose of the land and no one else.

The new law specifies payment for land on the basis of a land evaluation cadaster. Human nature is such that what is received for free is not appreciated. And this is one of the reasons for the mismanagement and even criminal attitude toward the land. It is painful to see this.

It is a great misfortune that we essentially had no land evaluation cadaster. We did not even do what they did before the revolution, when the Land Bank assessed every desyatina [2.7 acres] of land in gold rubles. What we did in this connection was complete nihilism: since it is state land, it is ours, so why evaluate it? But ours turned out to be no one's.

We lost 40 million hectares of farming lands to nonagricultural purposes in the last 30 years, including 17 million hectares of kolkhoz and sovkhoz lands. More than 6 million hectares of priceless bottom lands were flooded by artificial reservoirs and were lost irrevocably. There are processes of erosion, salinization, oxidation and desertification of the land. Ravines are growing and former plowed areas are becoming covered with undergrowth. This is horrible.... If the processes of the destruction of fertile lands continue at the same pace, we will not have any land within a few decades. It is impossible to reconstruct the soil artificially. Nature needed millions of years for this.

The Law on Land therefore provides for strict state control over the use and conservation of the land. By the way, this is not something we invented. Even in those countries where to a considerable extent the land is private property, the state has established strict control over its conservation. And if the farmer does not observe the necessary requirements on the conservation of the land and the improvement of its fertility, he is legally deprived of the right of ownership. It cannot be otherwise. If man destroys the soil today, tomorrow nature will destroy man.

[Virkunen] There have been statements that peasant labor farms are not the way we should go. This is apparent, in particular, from the materials sent to SELSKAYA ZHIZN. How justified are such opinions?

[Nikonov] Indeed, there are extreme points of view. One point of view is to leave the kolkhozes and sovkhozes in

their present form, providing for them technically and materially and giving them up-to-date equipment. Supposedly we have everything else.

No one disputes the fact that it is necessary to build housing and roads, establish a social infrastructure and carry out land reclamation. All of this is vitally necessary. Nothing can be done without a material base. But this is not enough. It is necessary to have a landowner.

Another extreme point of view is to give the land to the peasants, eliminate the kolkhozes and sovkhozes and everything will fall into place immediately. There will be an abundance of food at once. This is also a very great mistake.

[Virkunen] In other words, they are proposing an action similar to collectivization but in the opposite direction?

[Nikonov] Yes, that is quite right. This is adventurism. For not all peasants will take on the responsibility of running a personal farm. It is very difficult to be independent. I know this from my own experience. From the age of seven, I worked on my father's peasant farm and I know how difficult this is. But now it has become twice as hard to manage one's own farm. For it not with a pitchfork and shovel that one must work but with the help of up-to-date equipment and one must study and apply the achievements of science. For it is necessary to provide all the amenities and social conditions to those who take on the responsibility of operating independently. But this also means capital investments.

Thus, the mere allotment of land will not solve the food problem. This has long been clear. In 1917, A. V. Chayanov noted in summarizing the results of the League for Agrarian Reforms that it is easiest of all to allot land and we will do this; but the problem is how to utilize it and to set up production.

How can one integrate these seemingly insolvable contradictions? The answer was given in the decisions of the March Plenum. Above all, one should not determine the life style of the peasant behind his back. He himself will decide. If he wishes to take full responsibility for the management of a peasant farm, he should be given comprehensive support and the material, legal, social and other conditions and guarantees. Let him work.

There is no isolated peasant in today's world. The individual peasant is not the antagonist of the public farm. In all developed countries and on all continents, peasant labor farms are united in cooperatives and the peasant farm is merely the workplace of the peasant. Not with a state apartment but with a house, a farmstead with fields, meadows, gardens, upon which depend his life and the future of his children and grandchildren. And every peasant is striving to become an owner and a landlord. The cooperative supplies the peasant with seed, young livestock, fuel and work machinery, brings out the output and processes it, trains the farmer and grants credit. So cooperative ties are an objective necessity.

There is also another way. The kolkhoz or sovkhoz must be developed. It must no longer remain in a rigid state. It is necessary for it to acquire the nature of a cooperative, to go over to cooperative principles and to bring cost accounting to every individual.

And then our country has such varied natural and climatic conditions and national traditions that there can be no talk of any barracks-like uniformity of forms of ownership and management. One cannot organize production in a stereotypical manner. All kinds of forms will find a place here—individual peasant farms, cooperatives, kolkhozes, sovkhozes and leasing collectives. A good manager is needed everywhere, at all levels and under all forms of ownership.

[Virkunen] The newspaper's readers are interested in what will have to be done in 1990 for the further affirmation of the manager on the land and to bring him closer to ownership.

[Nikonov] It is necessary above all to give the peasant confidence and guarantees that there will be no more expropriation of the kulaks, that there will be no coercion and that the peasant himself is free to decide and have full control over output. And the output that he grows must not rot but all of it must reach the consumer's table.

But it is now rotting because along the entire chain from the peasant to the store there is no one in charge and no interest in preserving every kilogram of grain, vegetables, fruit, meat and milk. Someone must be in charge in each link. Strict responsibility and personal interest are socialist principles. We must affirm the manager along the entire food chain.

I think that those new draft laws on land and on ownership and those measures planned by the state go in the right direction and must be supported. We have had enough unproductive criticism of management. Let us work constructively. The country is tired not only of lines but also of disputes. We need creative work at all levels and not strikes.

The question of up-to-date equipment has also not yet been resolved. It is shameful for us to produce more tractors and combines than anywhere else in the world and to lose per-hectare grain yields by the half ton or even by the ton. It is shameful and destructive. I think that this is a problem of engineering, the quality of metal and other factors. But it must be resolved. And this must be done by the cities and industry.

[Virkunen] We have passed a lot of laws and by no means all of them can be called bad. It is all a matter of their execution. We are witnesses of many legally binding acts that nullify good laws. The question from our readers to you as a people's deputy is this: Is there a mechanism at this time that would guarantee the execution of the laws that have been passed?

[Nikonov] There is not yet such a mechanism. It must be established. And it is established in the person of the soviets. I think that we had—to a certain extent, it still exists today—such an inflated administrative apparatus that the laws were lost in it. This happened because the system was supposed to do something. And people worked: they defined the laws more precisely and interpreted them, often proceeding on the basis of departmental interests, and stipulated the procedure for their execution through all kinds of conditions, thereby distorting the essence of the laws to the point of unrecognizability. I think that control by the people in the person of the soviets and control by labor collectives are the only remedy against creativity under the law.

It seems to me that in this connection one must not forget educational work. There are so many emotions.... But this is understandable. The society lived for so many years essentially without information. The most important things were hidden from the people. But now everyone knows everything. And the cruel truth was a shock to many. Many people are inclined to blame perestroika and the process of the democratization of the society for all our troubles but there is no alternative, nor can there be.

We need to overcome this period of affliction, difficulties, disappointments and insight. It is necessary to survive so that we can build a free, humane and truly socialist society sensibly and without repeating mistakes.

[Virkunen] Many, unfortunately very many, do not understand the processes of democratization now taking place. Hence the confusion and apathy and frequently aggressiveness toward lessees, cooperatives and individual peasants. They are practically accusing the CPSU Central Committee, Politburo and people's deputies of attempting to restore capitalism. What could you say about this?

[Nikonov] I think that attacks of this kind are an absurdity. We are for socialism but a socialism purified from all distortions, from the dirt and blood of Stalinism, from thievery and the shadow economy, from haughtiness and insolence. We are for a socialism enriched by common human values originating in our country and in the world. We are for a socialism that has assimilated everything from world practice. We cannot live merely with the dogmas from the middle of the last century or the period from the 1930's to the 1970's. Social processes and scientific-technical progress are now rapidly changing the situation. To fail to consider this is to depart hopelessly from the objective situation and realities of the day.

[Virkunen] Could you say a few words about the place of agricultural science in perestroika?

[Nikonov] People very frequently try to make science the scapegoat for the failures from ignoring scientific recommendations and science in general. This occurs out of ignorance and a lack of understanding of the role of science in the society. It was noted long ago that a society

that does not appreciate science has no future. As for our agricultural science, its history is just as tragic as the fate of our peasantry.

The 1920's were the golden age of Soviet agricultural science. The big names were Vavilov, Chayanov and Kondratyev, to whom the entire civilized world takes off its hat. Soviet agricultural science was executed in the 1930's and defamed in the 1940's and 1950's. It was kicked and pushed around and made the target of derision in the years after that.

And today it leads a wretched existence with respect to its material base. The funding given to support it is meager and intolerable for a civilized state. And cost accounting pushed scientists into earnings to the detriment of significant and fundamental science.

For a long time, the role of science, including agricultural science, amounted to commenting on the statements of leaders. The emphasis was on pseudo-scientists like Lysenko and Nalivaykoi. Such a practice had severe consequences. For this reason, painstaking educational work is also needed in science. The situation is now changing. We now need boldness of search, non-standard solutions and liberation from dogmatism. We must train up a new shift and a new formation of scientists distinguished by independence, depth of thought and scientific search who express their own freedom. The doors of the best universities of the world have now been opened for us. The VASKhNIL has established cooperation with a large number of universities and institutes in the United States, the Netherlands, China and other countries. Several joint research teams have been established, in which American, Dutch, German, Mexican and other scientists work together with Soviet scientists. But this is just the beginning.

With the participation of scientists of the VASKhNIL, many experiments have been and are being done on new forms of management. Many agrarian specialists appeared in SELSKAYA ZHIZN last year.

There is good experience. One thing is grievous: almost all of the experiments fade away without being applied by practical experts. In my view, this is happening because the scientific studies are of little interest to practical experts and frequently contradict the historical and still-existing completely overwhelming administrative-command system.

Still, there has been a breakthrough in Orlovsk Oblast and in the Stavropol and Belgorod areas. Why? Because the party organizations there along with agrarian specialists turned to the individual and his needs, unleashed the initiative of the individual and focused all of the reserves and industry of these regions on the countryside. And there will be a manager on the land and bread on the table only in the event that each of us participates in the resolution of rural problems not just through good intentions but on a daily and specific basis.

[Virkunen] The most urgent matter at this time is material and technical supply. The editor's office gets a lot of letters on this subject. The countryside needs a diversified industrial output, including consumer goods and building materials. Under the conditions of the general shortages, it is not an easy matter even to convert the cash in kolkhoz accounts into goods. Do you see a way out of this difficult situation?

[Nikonov] Apparently I will not be able to propose any particular version on that account. But there were more difficult times in our history. Remember the postwar years with the general destruction, rationing, hunger and poverty. There was neither clothing nor footwear in the stores. The prices in the second-hand markets and stores of the time differed by factors in the tens. Barter trade was widely practiced at that time. That is, they delivered equipment, machine units, fuel, footwear, clothing, fabrics and other industrial commodities to the kolkhoz in exchange for a certain quantity of agricultural output.

Now, of course, it is not a matter of calico. Now it is necessary to sell automobiles, motorcycles, televisions, refrigerators, video recorders and building materials to villages. And to do this, one should not give the enterprises state orders for the entire 100 percent. Let the collective keep something for direct commodity exchange. With output, it is possible to organize commodity exchanges, auctions and fairs. We will set up markets in this way.

In addition, we should develop an extensive local and rayon building materials industry. It is necessary to cover the country with a network of small plants for bricks, roof tiles and other materials. China resolved the housing problem in this way in a few years, having built surprisingly beautiful and tidy villages.

[Virkunen] In your view, what are the prospects for the new forms of management? Will we be able to make the problem of the food supply less acute in the coming year?

[Nikonov] In answering this question, I want to say that the entire history of the development of our economy was built on the search for a miracle. First we thought that collectivization would solve everything. We then put our hopes on the conversion of kolkhozes into sovkhozes. After that we emphasized corn. And so on. There are no miracles.

What we need is an optimum form of management that is not imposed from above, the economic interest of the peasant and a material base. If we are able to make progress in this direction, there will be food.

The new laws give confidence in the irreversibility of perestroika. There will be thousands of new peasant farms and cooperatives. More and more kolkhozes and sovkhozes will go over to intraorganizational leasing and will be reorganized on a cooperative basis. Cooperative associations will be formed on the basis of the farms. There will be a continuation of the development of agricultural combines, firms and associations. In short,

there will be more offshoots from the new. But there will also be difficulties. And we must pass through this period of doubts and uncertainty as quickly as possible.

This is what I think, confess and believe.

From the Editor's Office

The beginning process of dismantling the completely overwhelming system for the management of agriculture is taking place with difficulty and painfully as it overcomes incredible complications of an objective and subjective nature. This is indicated by the materials of the discussion that developed last year as well as by numerous responses from readers. Still, perestroika is under way. Yesterday's generals in the agricultural industry must cut back on their commander's tone quite a bit and, in the number of cases, they have to retire.

Hence the outright dissatisfaction with rural restructuring, the popularity of the myth of the destruction of the kolkhoz-sovkhoz system that was heard even from the platform of the Second Congress of People's Deputies of the USSR, and the frank nostalgia for the firm right hand of the authorities. They say that these same managers will pilfer lands and stocks and that there will not even be the quantity of food that we have now.

What can one say about this? Where the peasant became a manager in an unauthorized manner without waiting for new laws, there the efficiency of production increased by a factor of 10. Examples of this are the farms of Orel Oblast, Zybino Sovkhoz in Tula Oblast, the Pravda Association of Cooperative Workers in Odessa Oblast, Kolkhoz imeni Ordzhonikidze in Dagestanskaya ASSR and many many others. These collectives are effectively showing the groundlessness of the despair of those who are publicly bewailing the "destruction" of the kolkhoz-sovkhoz system.

The collective farm will never die. It is simply being transformed from a system of general incentives and repression to a system of mutually advantageous cooperative interrelationships. This is the direction of rural perestroika.

In publishing the interview with VASKhNIL President A.A. Nikonov today, we are thereby summarizing the results of the discussion in the newspaper on questions in the establishment of a new economic mechanism of management. The editor's office thanks the lessees, brigade leaders, economists, farm managers, scientists and all readers who took part in it. With this preliminary summary of the results of the discussion, of course, the editor's office is not concluding the conversation on the problems in the assimilation of new forms of management. In the coming year of 1990, we are inviting readers to continue the conversation about this pressing subject and to take an active part in the discussion of the drafts of the basic laws on land and on ownership, which will become the fundamental principle for the establishment of new production relations. The editor's office is appealing to kolkhoz members and sovkhoz workers,

farm managers, lessees and members of cooperatives—in short, to all those who are involved in the assimilation of new forms of management: your letters and articles will help SELSKAYA ZHIZN to do a better job of illuminating the course of the restructuring of the agrarian sector.

Land Holding Discussed in Historical Context

Municipalization, Nationalization, Socialization

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[Article by Anatoliy Lanshchikov: "Land and Power"]

[Text] Power over the land is more of a moral than a legal category. But we more and more often speak of the right to own land. To a considerable extent, after all, its fate depends upon to whom it belongs and in whose hands it is.

The person who has land also has freedom. Generations of peasants lived with the striving for land and freedom. The October Revolution culminated in this appeal. Today we are publishing an article about how the Bolsheviks went about resolving the "land question" and what changes occurred in the party's agrarian policy at the end of the 1920's and beginning of the 1930's. For the repercussions of those approaches are still being felt in our time. This is seen especially clearly now, when the Law on Leasing has been passed and draft laws on ownership and land have been introduced for public discussion.

These questions require the closest and most serious attention. For this reason, LITERATURNAYA ROSSIYA is beginning a new rubric; it is called "Land and Power" and provides the heading for the article that we are publishing.

No matter how we curse our recent historical past, it still does not compensate for the lack of positive achievements in the present. We never get tired of admiring ourselves and talking about the current glasnost, although here as well the real achievements are much more meager than it appears. Here we are not even reaching the glasnost of 1934, when the personality cult around Stalin had already begun to thrive.

We, for example, are trying to repeal the history of the CPSU and we think that we are proceeding boldly and cleverly. Despite everything, however, the CPSU does have a history and it is firmly linked with many decades of the history of our people. For this reason, the current self-assessment ("boldly and cleverly") cannot be expected to last. In the final analysis, the history of the CPSU will be written but its future authors in their work will hardly rely much on those materials that saw the light of day in the first 5 years of perestroika. I do not know what epithet they will attach to our current glasnost but we cannot hope that it will be especially flattering. As a rule, we are now simply manipulating the facts and we are still afraid to put them in the political context of the epoch, and even within the limits of the

facts themselves we do not hesitate to make intentional exceptions or omissions, thereby merely lining up the next truth.

We, for example, are continuing in accordance with the Short Course on the History of the VKP(b) [All-Union Communist Party (Bolsheviks)] to attribute the authorship of the "October" decrees on peace, authority and land to the Bolsheviks and to Lenin personally. But this is what was written in this regard in 1934 in "Ocherk istorii VKP(b)" [Sketch of the History of the VKP(b)] by N. Popov: "In the first days of the existence of Soviet authority, it was able with the help of the decree on land to attract the broad masses of the peasantry over to its side. As you know, this decree was passed in the socialist revolutionary version (who knows about this today?—A.L.) and did not exactly correspond to our party program in the agrarian question. Coming out resolutely against the Menshevist agrarian program of municipalization as early as the Fourth Congress in 1906, Lenin and the Bolshevik Party admitted the possibility of dividing the landholdings among the peasants if they were not successful in carrying out a program of nationalization. The version of the decree on land in October was a reflection of the desires and moods of the broad peasant masses set forth in 242 instructions and therefore the party passed this decree without the slightest hesitation, strengthening Soviet authority and consolidating the ties of this authority with the broad masses of peasants."

As we see, the decree on land was passed in a "socialist revolutionary" version and the Bolsheviks agreed "without the slightest hesitation" to divide the landholdings only because their program for the nationalization of the land simply could not be put through. To ignore the "moods of the broad peasant masses" meant to relinquish the soviets in the countryside to the socialist revolutionaries voluntarily. Now absolutely nothing is being said about this but this was not the case in 1934.

But is it possible that N. Popov was some kind of hidden socialist revolutionary, who was able to drag through his interpretation of history in the confusion of the internal party struggle? No, N. Popov was not a socialist revolutionary and his "Sketch of the History of the VKP(b)" was essentially a prototype of the future Short Course on the History of the VKP(b), although the latter naturally no longer mentioned any "socialist revolutionary version." Well, did N. Popov make a mistake when he went into so much detail? Nothing of the sort.

In the first place, in 1934, the events of those years were still fresh in the minds of many. In the second place, and this is the main thing, the collectivization had basically been finished by 1934 and now the mention of the "socialist revolutionary version" of the decree on land was quite to the point, because it made it possible to interpret collectivization as the realization of the Bolshevik program for the nationalization of the land, about which, in general, N. Popov wrote further in his work. So as not to deceive anyone, I must say: although the work

of N. Popov is called a "sketch," in fact it is a book of 300 pages, which was not only published but also republished and with a large number of printed copies.

"To be sure, the broad masses of the peasants saw in the leveling-labor use of land salvation not only from feudal but also from capitalistic exploitation. Leveling-labor land use could not give them this salvation if it were implemented by socialist revolutionaries as their ultimate ideal, as the Bolsheviks proved many times in criticizing the socialist revolutionary program."

Thus, N. Popov comes to the conclusion that the socialist revolutionary ideal of leveling-labor land use did not guarantee to the peasantry protection against landowners and capitalists. But why did the Bolsheviks adopt it at that time? It was because this ideal was tempting to the broad peasant masses and this circumstance had to be taken into account.

"In fact," continues N. Popov, "being carried out by soviet authority and having eliminated the landholders in the countryside, it (that is, leveling-labor land use—A.L.) was only the first step (my emphasis—A.L.) toward the socialist reconstruction of agriculture and the final liquidation of the age-old barbarity and 'idiocy' of rural life."

Thus, collectivization was, as it were, the second step in the social reconstruction of agriculture and a necessary precondition for the successful eradication of the "idiocy" of rural life.

But was a third step anticipated? It was expected that there would be agricultural communes, as Stalin talked about at the 16th Congress of the VKP(b), having immediately stipulated that it was still too early to take this step. It is worthwhile to note that at this congress the author of the "Sketch of the History of the VKP(b)" was elected as a candidate for membership in the VKP(b) Central Committee.

We will not understand anything about the past and will not come close to the truth as long as we do not renounce our accustomed view of socialist revolutionaries and Mensheviks as enemies of the revolution, defenders of capitalism and agents of international imperialism.

I read, for example, Trotsky's report at the Ninth Congress of the RKP(b) [Russian Communist Party (Bolsheviks)], in which he outlined a detailed plan for the total militarization of the entire life of the country in the period of its peaceful development.... Idiot! Clinical idiot! But one's own emotions rarely coincide with scientific conclusions and for this reason one should not be in a hurry to make a display of his emotions. I read the resolutions of the congress. Trotsky's main ideas were included in the resolutions, hence they were accepted by the majority of the delegates to the congress. The initial emotion calms down somewhat: the majority of delegates cannot support clinical ravings! By the way, there is such a thing as mass psychosis. History knows many examples of this....

A year passes and at the 10th Congress of the RKP(b) all of the basic resolutions of the 9th Congress are repealed and no trace is left of Trotsky's plan. But this circumstance cannot serve to prove the idiocy of Trotsky. Trotsky was a brilliant orator. Trotsky was a brilliant chastiser. Trotsky was a poor politician—he did not win a single political "party" but he was never an idiot.

I personally am not impressed by anything about Trotsky but for me this is no reason to blame him for everything, as they say. I will even try to relieve him of some of that blame. The official propaganda has persistently inculcated in our consciousness that at the time of the Brest negotiations Trotsky wanted to betray the revolution and practically destroyed it. I must say that this assertion does not correspond to the truth. And then how could one explain Trotsky's slogan "neither war nor peace"—betrayal or idiocy? Yes, let us be frank, it is not much of a choice and here we must appeal either to the VChK [All-Russian Extraordinary Commission for the Fight Against Counterrevolution and Sabotage] or to medicine for help. But one can also appeal to conscientiousness for help, remembering that life by no means always raises questions in the form of alternatives. And it should also be noted that Lenin in his "Letter..." does not say anything about the treachery of Trotsky at the time of the Brest talks but for some reason does recall the "October episode with Zinovyev and Kamenev." By the way, this is not an argument either and one should not always hide behind the words of Lenin. Let us try to look into this matter without exploiting anyone's authority.

In the first place, the talks with the Germans began on 2 December 1917, whereas the German offensive did not start until 18 February 1918. The Soviet delegation was pursuing a delaying tactic in hopes of a revolution in Germany and other European countries. For the purpose of prolonging the negotiations, the Soviet delegation even proposed on 18 January 1918 that the talks be delayed and that they return to Petrograd.

On 24 January, the Central Committee supported Trotsky's point of view that "we are not signing a peace treaty, we are withdrawing from the war and we are demobilizing the army" by a majority of votes (nine to seven). As we see, this was the viewpoint not only of Trotsky but of the Central Committee as well. And here is how Lenin himself assessed the work of Trotsky at the Seventh Party Congress: "Further, I must touch on the position of Comrade Trotsky. Two aspects must be distinguished in his work: when he began the talks in Brest, utilizing them splendidly for agitation, we were all in agreement with Comrade Trotsky. He cited part of the conversation with me but I will add that between us we had stipulated that we were adhering to the ultimatum of the Germans and we were surrendering after the ultimatum."

Thus, Trotsky was supposed to decide whether to implement the Central Committee decision of 24 January or Lenin's personal recommendation. Trotsky ignored Lenin's personal recommendation. This, of course,

should by no means be characterized as a betrayal of the revolution. Trotsky remained true to himself, hoping for the world revolution. He simply wanted to sacrifice Russia and to utilize it to kindle a world conflagration.

Leveling-labor land use or the socialization of the land, as we have already said, was supported by the overwhelming majority of peasants and therefore the Bolsheviks adopted the agrarian policy of the socialist revolutionaries. With the introduction of the forced requisition of grain in 1918, there was a kind of nationalization of the land (agrarian program of the Bolsheviks). True, the peasant was not alienated from the land but the final product of his work was essentially taken from him. In shifting to the track of the peaceful development of the economy, the Ninth Congress of the RKP in effect and thanks only to the Antonov movement, the unrest in the Ukraine and Siberia, the strikes in Petrograd and Moscow and, finally, the Kronstadt revolt in March 1921 was the New Economic Policy (NEP) announced, that is, another change was made in the direction of the socialization of the land.

Stalin, in due course, equated collectivization with the October Revolution and was right in his own way. Whereas as a result of the October Revolution the land was socialized, during the time of collectivization the land was nationalized and the peasant was now attached to the land only as a worker and they began to call him something else—a kolkhoz member. Neither Khrushchev nor Brezhnev nor Andropov nor Chernenko changed anything here. And only now, in our time, has the question arisen of changes in the principles of land ownership and land use. And this is a major blow against Stalinism.

Here it is necessary to make a reservation and recall that in the course of the development of the revolutionary movement in Russia the question of land was not an alternative: socialization or nationalization. A third program was also put forward—the program of the Mensheviks, the municipalization of the land.

And it is not only a matter of which of these principles of land use is most productive but of what period some principle or other is most expedient.

As for the nationalization of the land, it can be firmly said that it did not meet the test of time. Land that lost its master not only became no one's but it also disorganized the entire economic structure beginning with price-setting. Thus, the price of material and manpower resources were considered in any construction but the price of the land of the construction site was not considered, which artificially lowered the price of the facility erected and contradicted the elementary laws for the civilized handling of the economy.

As for the socialization of the land, this principle was fully justified during the time of the NEP and it could still work during the time of Khrushchev. Now, as they say, the train has already left. Thousands of villages have been abandoned. And many villages are full of people of

the pre-pension age. The young people flee not to the countryside but away from it. I am not considering individual strong and rich kolkhozes. It is time to renounce the defective principle of "beacons," not even inflated ones but real ones. Unique personalities merely show that unique personalities are possible in nature and no more than that. We cannot consider our current general educational system as excellent simply because there are still outstanding pupils in the schools.

Thus, we must say frankly that the principle of the nationalization of the land, which triumphed during the time of "military communism" and from 1929 to the present time, destroyed not only agriculture but also disorganized our entire economy, including the finances. The socialization of the land during the period of the NEP put our agriculture on its feet and provided a powerful impulse for the development of the entire economy but at this time it is simply impossible to implement this principle for the reason of the destruction of the countryside.

As for municipalization of the land (I remind you that this principle was proposed by the Mensheviks during the period of the bourgeois-democratic revolution of 1905), in the event of the victory of the bourgeois-democratic revolution it, that is, the municipalization of the land, would have hit hard against the poor and middle peasants. In October 1917, this principle would have been rejected by the peasantry, just as the Bolshevik principle of the nationalization of the land would have been rejected. In the current situation, in which we have again issued the slogan "All Power to the Soviets!" only the municipalization of the land, that is, its transfer to the hands of local soviets, can give real power to the local soviets and ensure the universal restoration of rational farming.

One now frequently hears the "radical" demand: disband the kolkhozes! This radicalism is related to the Stalinist radicalism—the land always takes revenge for the violence. The farmers themselves must choose the means of land use and no one else. If you want a kolkhoz, fine. If you want a sovkhoz, fine. If you want a farm, fine. And if you want a family contract, fine.... Lease the land from the local soviet and work to our heart's content.

If we really want to turn power over to the soviets, then the land must belong to the soviets, that is, the collective authority that represents the interests of people of a certain territorial formation, to which the land must be assigned permanently. And not only farmers but also kolkhozes must lease the land. Moreover, all industrial enterprises in the territory of a given rayon must pay rent to the local soviets for the land that they occupy based on the average yield of the dominant crops in the given rayon. The local soviets must take stock of all the land in their rayons and not allow anyone to have even a hundredth of a hectare of land for free. Only children's institutions, hospitals, police and fire stations, charitable institutions and cemeteries should be freed from paying rent for land. All military units and subunits quartered in

the territory of a given rayon with the exception of border troops must also pay rent for land.

And no supreme soviet can determine the terms of leases, for this is the inherent competence of the local soviets. Can one in Moscow really determine the competence and credit-worthiness of a specific lessee and the agrarian value of a specific parcel of land? It is difficult to think of more centralization than that. People, of course, are already used to taking orders but the land cannot tolerate such dictates. Yes, the rights of the lessee must be established by law but the rights of the lessor must also be secured by law and the latter's rights must be just a little greater. If the lessee (kolkhoz, farmer or enterprise) does not conserve the land, forests, water and air, then he must be subjected to a court fine to the benefit of the lessor.

In addition, the local soviets must collect some percentage from all productive units beginning with the "individual" and ending with the factory or plant and they must collect a fee from all commercial deals made in the territory of their rayon. The budget in the rayon must be based not on the penetrating power of the rayon leaders and not on the "kindness" of the upper circles but on the labor activity of the entire population of the rayon.

The rayon, of course, must make some deductions to the oblast center. The richer the rayons become, the richer will be the oblast center. This dependency will eliminate administrative custody and administrative supervision and the economic development of the rayons will become the main interest of the oblast center. Ties between the oblasts and the republic center and correspondingly between the republics and union center will also begin to develop under such relationships.

Thus, the land must have only one landlord—the local soviet (when there are several landlords, the land will again become ownerless); oblasts, republics and the national state can own only territories whose borders are defined by law. Otherwise we will not be able to free ourselves either from rigid and destructive centralization or from command-administrative methods of management, no matter what mandates the deputies of the soviets of all rayons may have.

And finally, we do not need a power center but a strong center and we do not need strong regions but those that develop themselves. Take, for example, the ecological problem. Establish any state committee for environmental protection and it will be helpless. If the land becomes the property of a rayon, then an ecological service will spontaneously appear, which will begin to fight not in general but for every hectare of land, for every little stream, for every lake and for clean air and such a service will not allow any enterprise to bury dangerous wastes in its territory or to poison reservoirs. In the rayon, everything can be kept under specific control. Then the state and republic ecological committees will attain strength and effectiveness. All other

spheres of life (medicine, education, culture, etc.) will be activated in an analogous manner.

And we do not need to establish a mechanism but a living organism, in which the work of the heart would be ensured not through artificial stimulators, with the help of which blood is forced to all organs. We need to induce the natural action of all vessels and capillaries capable of ensuring the normal rhythmic work of the heart.

Owning, Inheriting Land

904B0138B Moscow SELSKAYA ZHIZN in Russian
27 Jan 90 p 2

[Article by Prof M. Kozyr, honored scientific worker in the RSFSR and doctor of juridical sciences, under the "About the Land" rubric: "You Cannot Help Things Through Incantations"]

[Text] Today when you read newspaper or journal articles, when you watch television programs or listen to radio broadcasts on agricultural subjects, there is one frequently used word that catches your eye or ear: owner [zhozyain]. In writing or in conversation, this word sounds like an incantation. "Return the owner to the land!" the most dissimilar authors repeat, as if through such repetition the desired owner will appear without delay and the entire country will breathe a sigh of relief.

The longing for the owner of the land is more than justified. It is well known that the wasting of the land in the country has reached monstrous proportions. It is enough to say that in the last 25 years in the USSR 22 million hectares of developed arable land has been lost, of which about 12 million hectares went for industrial construction and roads, and more than 6 million hectares have been abandoned and are overgrown with brush. Man-made reservoirs drowned more than 10 million hectares and 70 percent of the plowed fields suffer from erosion, the losses from which reach 11 to 13 billion rubles annually. So why not cry out here: "Return the owner to the land!"?

But you cannot help the land with incantations. Here salvation is in something else: in the achievement of legislation on the main means of production in the countryside that would put up a solid barrier to mismanagement.

Let us see whether the draft of the Bases of the Legislation of the USSR and Union Republics on the Land provides for such a barrier.

The draft under discussion renounces the principle set forth by the 1917 Decree on Land and subsequent land legislation on the giving of the public land to the use of all those working on it. It is now being replaced by the principle of the granting of the land for lifetime inheritable possession by the citizens of the USSR (Article 5) and for collective possession by enterprises, organizations and institutions for agriculture (Article 6).

In and of itself, this idea of the developers of the draft law, well-known scientists in the Academy of Agricultural Sciences, is quite attractive, because in the many years of practice under the conditions of the predominance of the command-administrative system the principle of the use of the land by all those working on it did not, to put it mildly, lead to the desired results. At the same time, however, one should not forget that in the years of Stalinist rule and in the subsequent years of stagnation the peasants were deprived of the possibility of realizing the rights granted to them to utilize the land and many of them left the rural areas willingly or unwillingly. Therefore, the established right to utilize the land in its Leninist interpretation was not able to develop its advantages with the exception of the short period of the NEP in the 1920's. This being the case, this institution should not simply be disregarded and considered unfounded.

V.A. Tikhonov, people's deputy of the USSR and member of the Academy of Agricultural Sciences, most thoroughly substantiated the expediency of shifting from the right to use to the right to possess the land. "I am convinced," he writes, "that we will not be able to escape our permanent crisis in farming as long as we do not reestablish a system for the possession of the land and as long as we do not revive the peasant landowner. This means that a radical land reform is essential.

"In my view, its sense must be the restoration of the demand of the revolution that was repealed in 1928: conversion of the land into public property. This means that state ownership of the land must be rescinded. The land is transferred to the disposition of the local soviets and they turn it over to possession by those who work it."

The draft under discussion did not renounce the right of state ownership of the land in the USSR but adopted the idea of the right to possess land used for agricultural production along with the right to use the land in all other cases. Under these conditions, however, the landowner does not actually or juridically become the owner of the parcel of land assigned to him but his rights and obligations in the utilization of the land are in no way substantially different from the rights and obligations of land users. It is easy to be persuaded of this by comparing articles 17 and 18.

There are, of course, many examples in history in which possession of the land arose prior to the appearance of land ownership or in which possession was separated from it. In the Roman particular law, for example, the category of possession of the land was contrasted with the category of ownership of the land. Possession was seen as a special legal relationship independent of ownership and preserved through special legal means of defense. This characteristic of land relations was also typical of the countries of the feudal East and all of the countries of feudal Western Europe. Differentiation of the possession of land from ownership of the land was also characteristic of Russia. The feudal form of land

tenure arose in Russia in the 14th and 15th centuries. The landholdings were granted only for service and under the condition of service without the right to dispose of them (transfer, deeding of gifts, and the like).

In the 17th century, the feudal holdings already occupied about 80 percent of all the lands of the Moscow state. Land ownership acquired a strictly class nature. There was a gradual process of the merging of the feudal holdings with the *votchinas* [inherited estates] that were previously the property of their possessors. The ukase of Peter I "On Primogeniture" essentially eliminated all differences between the feudal holdings and *votchinas*. The "Grant to the Gentry" completely freed the gentry from the obligations of state service and, definitively eliminating the remnants of the conditionality of feudal land tenure, turned the land into the full and unconditional property of the landed gentry.

This small digression into history shows that in those distant times the right to possess land was either inseparable from the right of ownership or it served as an important stage on the way to the formation of the right of land ownership.

Under the conditions of the predominance of socialist ownership of the land, the legal right of possession is in some cases one of the inherent elements of the maintenance of this right along with the utilization, management and disposal of the land, whereas in other cases it is an integral condition of land use, for it is impossible to be a land user without possessing the land.

A close familiarization with the articles in the draft under discussion having to do with the regulation of the possession of land permits the assertion that this regulation does not pursue the objective of turning possessors of land into the owners of the parcels of land granted them. It is easy to be persuaded of this by familiarizing oneself with Article 4, where it is written that the buying and selling, giving, arbitrary seizure and arbitrary disposal of land are prosecuted under the law. Without the right to execute these legal actions, however, there is not and cannot be possession of land as a variety of land ownership. It is a matter of a description of the customary rights and obligations of land users, although it is proposed that in the future they be called landowners. But such a changing of the terminology can only give rise to unfounded and unjustified illusions among part of the peasantry, which can undermine confidence in the new law and have a negative effect on its implementation.

For this reason, it is essential to return once again to the development of the very concept of lifetime inheritance and possession of the land by citizens and collective possession of the land by agricultural enterprises and organizations and to try to define how its content differs from the right of land use. If this cannot be done, then [it is necessary to] return to the right of land use as a universal legal institution, the norms of which extend to all kinds and forms of land use. In this case, of course, it is necessary to be concerned about the effectiveness of the

legal norms relating to this institution and to develop a legal mechanism for their steady implementation, which, in our view, would meet the expectations of the peasants.

REGIONAL DEVELOPMENT

RSFSR Gosagroprom Head Discusses Problems

904B0140A Omsk ZEMLYA SIBIRSKAYA,
DALNEVOSTOCHNAYA in Russian
No 1, Jan 90 pp 1-4

[Interview with G.V. Kulik, chairman of RSFSR Gosagroprom, by special correspondent A.M. Soshenko: "On Land, Grain and Peasant Obligations"]

[Text]

[Soshenko] Gennadiy Vasilyevich, you were in charge of the agro-industrial committee of Russia during a very simple period of our history. The politicization of society influenced it only with regard to evaluating agricultural development and yet it produced a variety of views: it is even possible to read that we did not build the type of socialism desired and that the *kolkhozes* and *sovkhozes* are almost the chief cause of our state's poverty and the depersonalization of the rural areas. As chairman of Gosagroprom [State Agro-Industrial Committee], what are your thoughts in this regard?

[Kulik] As with any phenomenon, and particularly one with such an uncharacteristic scale as *perestroika*, we cannot apply a one-sided yardstick while substituting the emotions of analysis. I would add an opinion: in addition to positive aspects, negative trends also arise in any global process as a rule. It would be naive to rely upon *perestroika* as a universal means, one capable of creating blessings and nothing more than blessings. Today, in the office in which we are holding this discussion, we often examine questions which could not exist earlier. And this is not because people are now more intelligent, but rather it derives from the fact that the conditions for relationships between man and production have changed. From primitive labor that was free of thought and aggravated by the desire to achieve the goal, we have gradually converted over to a sphere of businesslike efficiency.

It sometimes happens that you solve a task assigned by the leader of an agro-industrial combine and then you begin to fly into a rage. It is unyielding and that's that! When the solution is found, sudden insight is also noted—and indeed it is in this uneasy state that forward progress becomes apparent! At one time, did not the leader of an Altay agricultural enterprise rack his brains as he searched for profitable contacts with a western firm before bursting into a minister's office? More often than not he endured a headache for another reason, for example, how to save livestock from a lack of fodder, how to carry out the sowing work on schedule or how to outwit the bad weather conditions in the autumn. Today the spheres of pretensions and claims, especially in the

case of many intelligent leaders, have changed sharply. For example, a minister who each day receives several dozen individuals from various regions of Russia has a basis for such a conclusion.

I will not answer simply: Am I for or against the sovkhozes? The March Plenum of the Central Committee expressed itself in a definite manner in this regard, having selected diverse forms for economic activity. At the same time, it seems to me that a certain test has formed in society at the present time, according to which the attitude towards perestroika is determined. If an individual unconditionally advocates the elimination of the public forms for a farm, that is, sovkhozes and kolkhozes, then he is advancing perestroika in a revolutionary manner. And conversely, advocates of the traditional forms of ownership are almost declared to be its antagonists. In addition to simply being primitive, such analogues are also fraught with unpredictable consequences. I propose to examine the experience of the existence of agriculture from an objective standpoint. It has always been conducted and has developed under dissimilar structural forms. In addition to sovkhozes and kolkhozes, the production of goods was carried out in all areas by forestry farms and it was only a rare municipal enterprise that did not produce milk, meat, potatoes and vegetables. And really, the private plots are not a source for augmenting our food resources. The form of mixed enterprises, created by industry and agriculture, arose and is acquiring stability. Moreover, cooperation of this type did not appear overnight. If you recall, initially the plants, factories and others were allocated land, as a rule abandoned parcels of land, and they were required to draw the required types of food goods from such land. I always opposed the forcible assignment of land, since the return from invested capital investments was held at a minimal level. Today an enterprise invests resources in the development of a particular farm and obtains the needed products in exchange.

As you can see, the new forms for production relationships are based upon already existing ones. I now propose that some thought be given to a particular question—under our conditions, can a peasant farm, one which requires specific expenditures in the form of machines, equipment, fertilizer and economic and technological management, arise and exist in an isolated manner? Hardly. Although the advocates of extreme reforms contend otherwise. They maintain that if the peasants are authorized to own land and accompanying food funds, then before long there will be an end to all discussions on the subject of food shortages. A certain question should be asked at this point: are there many individuals willing to engage in such trade? I have very restrained forecasts in this regard. It is unwise to rush to an extreme. It would be more correct, albeit more difficult, to form farming leases for the farms.

Is it necessary to direct attention to the arsenal of arguments being used by those who favor the private forms of ownership? The principal theme in their programs—the experience of those farms where farming,

while constituting a miserly proportion of the overall structure of the state economy, provides the market with all that is necessary and even more.

[Soshenko] But is not Academician Tikhonov really correct when he points to state monopoly over the land as the principal cause of market poverty? The basic question of his program is the question of land or, more exactly, land relationships. Yes, the kolkhozes and sovkhozes possess documents attesting to their permanent use of the land. But indeed the land, he states, was given to them exclusively for purposes defined by the state. Thus it turns out that a peasant possesses land only in a vague sense, with the state being the true owner. For the land is distributed by the state and the state dictates the planned production volumes, the structure for the goods being produced, the prices and so forth. And where does the peasant stand in all this? He is nowhere to be seen.

[Kulik] Outwardly, the arguments appear to be convincing. But in addition to the forms, let us glance more closely at the contents. Last year here, in the agroprom [agro-industrial committee], we received guests from America. Six farming families from the well-known state of Iowa came to Russia in order to inspect a farm run by Soviet peasants. Their route was determined in advance—the well-endowed Krasnodar Kray, where the chernozem is richer and the production culture is at a sufficiently high level. Thus, when the guests from Iowa returned to Moscow, I immediately asked them a question: "Suppose we issued you some land. Could you work it better than our peasants?" Five of the agricultural businessmen categorically replied: "No." The head of the sixth family, after considerable reflection, stated that he perhaps would remain in Russia, but he would concern himself exclusively with the raising of beef strains of cattle. Naturally, I could not question them further regarding the reasons for their rejection. In their replies, the farmers referred to the tremendous difference, as they saw it, in the levels of electric power support for labor there, in Iowa, and here in Russia. Yes, they maintained that our peasants work no worse than they do, but the equipment in use is far from suitable. With typical American businesslike efficiency, they described the imperfections they saw in our combines, they were appalled by the great amount of grain left out on the fields and they were quite surprised that bankruptcy did not occur more often under such conditions. Thus, that which appears somewhat strange to some is accepted as being quite normal by others, that is, ourselves. The economic losses are covered by the traditional methods—state subsidies. It seems that it is now my turn to ask a question: Is it intelligent, given such a power engineering balance, to devote thought to the general transfer of land over to private ownership? Rather, do we not see the outlines of hunger in such a situation, as predicted by the advocates of radical reform?

And further. We are hardly able to realize progress in the area of supplying the country with food goods if priority

Footnote. Large scale should be interpreted as the sale or concealment of goods amounting to 2,500 rubles or more, and especially large scale—10,000 rubles and more."

III. This decree is to be implemented from the moment of its publication.

Regional Khozraschet, Interrepublic Trade Analyzed

904D0062A Moscow *VESTNIK STATISTIKI* in Russian No 1, 1990 pp 3-10

[Article by V. Maltsev, candidate of economic sciences and senior scientific associate of the Economics Institute of the USSR Academy of Sciences: "Regional Economic Accountability: From Distribution to Trade"]

[Text] The transition of the union republics and regions to the principles of regional economic accountability, while at the same time reproduction is preserved throughout the entire union system as a unified national economic complex (YeNKhK), is raising a number of problems. The reference is above all to the relationship and interaction of the diverse forms of socialist social ownership: state property, cooperative property, personal property accumulated by work, as well as all the possible mixed forms that can exist and reproduce on the basis of these fundamental forms. For example, within the framework of state property there can be all-union, republic, regional, and communal forms, each of which can be integrated through the issuing of stock with other forms, including the cooperative and personal forms. The great diversity of the forms of ownership creates the prerequisites for their competitive interaction, which gives rise to the need on the one hand for maintaining certain quantitative proportions among them and on the other for creation of economically equal conditions for their functioning in order to avoid a growth of social tension.

Preservation of the country's socioeconomic integrity by harmonizing the interaction of the diverse forms of ownership, above all state ownership in its all-union, republic, regional, and communal forms, comprises the economic content of a new conception of centralism constructed on the principles of trade.

Preservation of planned regulation of economic development within the framework of the YeNKhK is dictated first of all by objective circumstances: by the location of the productive forces, by the regional division of labor and industrial cooperation, by the geographic location of minerals and agricultural raw materials, energy potential, and so on.

For instance, in 1988, 5 union republics did not have petroleum and gas of their own, 8 did not have coal, no iron ore was being mined in 11 union republics, in 9 there were no plants for the production of steel pipe, and in 6 there was no production of rolled products of ferrous metals. The production of metal-working equipment, in

particular forging presses with numeric programmed control, did not exist in 12 and 8 union republics, respectively. Such important products of the wood-chemical complex as chemicals for plant pest and disease control were not manufactured at all in 8 republics, caustic soda, truck tires, and tires for agricultural machines in 9 republics, automobile tires in 10 republics, commercial timber in 3 republics, and paper in 5 republics.¹

Production of these products is the most energy-intensive, labor-intensive, and environmentally hazardous. It is located predominantly in RSFSR and Ukrainian SSR. The share of RSFSR in all-union production of petroleum, gas, and coal was 91.1, 76.6, and 55.1 percent, respectively;² for iron ore, steel, rolled products of ferrous metals, and steel pipe, their share was 43.5, 57.7, 57.2, and 60.0 percent; for metal-cutting machine tools with numeric programmed control and forging presses with numeric programmed control, 74.3 and 17.2 percent, respectively; automobile tires 60.2 percent, and commercial timber 93.2 percent.

For most of these items, the most radical proponents of republic economic accountability—the Baltic republics—did not have production facilities on their territory. For example, in the Baltic republics as a whole imports of fuel and energy (in millions of tons of standard fuel) exceeded their export 23.9-fold, including 14.4-fold for Estonia, 21.2-fold for Lithuania, and 29.8-fold for Latvia.

The main load in production of the most important agricultural products (milk, meat, and eggs), in addition to industrial products, fell to the RSFSR and the Ukraine, and to some extent to Belorussia and Kazakhstan. The share of RSFSR and the Ukraine was 75.4 percent of all-union milk production (including 51.8 percent in RSFSR), 70.8 percent in meat production (including a 50.1-percent share for RSFSR), 79.7 percent in egg production (including 61.4 percent for RSFSR). If Belorussia and Kazakhstan are taken into account, the share of these four republics in all union production was 87.5 percent for milk, 85.6 percent for meat, and 88.1 percent for eggs. For sake of comparison: the share of Estonia, Lithuania, and Latvia in the all-union production of these agricultural products was 4.8, 6.6, and 3.6 percent, respectively.

What was the share of the union republics in supplying the country's population food, which they delivered to the all-union fund for its subsequent redistribution? For this purpose we have to examine the share of each of them in the product's deliveries. The main share of deliveries to the all-union fund fell mainly on RSFSR and the Ukraine, as well as on Belorussia and Kazakhstan. For instance, the share of deliveries of RSFSR and the Ukraine in total deliveries to the union fund was 66.5 percent for milk (including dairy products) (including a 43.9-percent share for RSFSR), 58.4 percent for

meat (including meat products) (including a 35.1-percent share for RSFSR), and 92.2 percent for eggs (including egg products) (including a 69.1-percent share for RSFSR). If Belorussia and Kazakhstan are taken into account, the share of deliveries of these four union republics in the total volume of deliveries to the union fund was 83 percent for milk, 82.9 percent for meat, and 96.8 percent for eggs. For sake of comparison: the share of deliveries from Estonia, Lithuania, and Latvia in the total volume of deliveries to the union fund were 16.3, 13.5, and 1.8 percent, respectively, for these products. The republics of Central Asia and the Transcaucasus delivered no milk, meat, or eggs to the union fund at all from what was produced on their territories, since this output went entirely for internal consumption.

The picture of the participation of the union republics in the all-union division of labor and industrial cooperation would be incomplete if we overlooked the production, sale, and estimated effective demand for goods and services on a per capita basis by republics. At the present time, it is the lack of balance among the supply, sales, and demand on the consumer market that is aggravating socioeconomic problems and heightening interethnic tension. The objective basis of this is the increasing differentiation in per capita levels of consumption of goods and services from one union republic to another. The figures presented in Table 1 reflect a rather complete picture of the state of the market for consumer goods and services with respect to the commodity supply, the volume of sales, and commodity-money balance by union republics on a per capita basis in 1987.

Table 1. Estimation of the Balance of the Consumer Market on a Per Capita Basis by Union Republics in 1987,* in rubles

Table 1. Estimation of the Balance of the Consumer Market on a Per Capita basis by Union Republics in 1967, in rubles											
	Supply			Sales				Demand**			Unsatis- fied Demand***
		Breakdown				Breakdown			Including		
	Production of Consumer Goods	Food- stuffs	Nonfood Products	Retail Com- modity Sales of State and Cooper- ative Trade, Food Service Enter- prises, and Enter- prises for Everyday Services to Public	Retail Com- modity Sales Alone	Food- stuffs	Nonfood Products	Wage Fund of Workers, Employees, and Kolkhoz Mem- bers on Social- ized Farming Opera- tion, Payments and Benefits Individuals Received From Social Con- sump- tion Funds, Pensions, and Bank Balances of Indi- viduals	Wage Fund, Payments and Benefits, Pensions	Bank Balances of Indi- viduals	
A	1	2	3	4	5	6	7	8	9	10	11
USSR	1168	465	703	1395	1206	576	630	2317	1370	947	-922
RSFSR	1119	389	730	1530	1322	664	658	2593	1548	1045	-1063
Ukrai- nian SSR	1200	572	628	1334	1138	524	614	2466	1306	1160	-1132
Belorus- sian SSR	1654	562	1092	1527	1337	640	697	2560	1489	1171	-1223
Uzbek SSR	472	204	268	826	720	305	415	1123	834	289	-297
Kazakh SSR	569	298	271	1179	1010	475	535	1821	1224	597	-642

Georgian SSR	1089	443	646	1279	1067	421	646	1744	1231	513	-465
Azerbaijan SSR	670	220	450	838	716	319	397	1731	923	808	-893
Lithuanian SSR	2021	765	1256	1700	1480	703	777	2991	1480	1511	-1291
Moldavian SSR	1287	546	741	1254	1092	425	667	1830	1137	693	-576
Latvian SSR	2442	816	1626	1975	1722	798	924	2727	1594	1133	-752
Kirghiz SSR	644	269	375	935	811	342	469	1321	935	386	-386
Tajik SSR	500	169	331	737	648	259	389	1039	769	270	-302
Armenian SSR	1319	278	1041	1168	1002	461	541	2084	1175	909	-916
Turkmen SSR	331	170	161	949	825	344	481	1317	990	327	-368
Estonian SSR	2510	1096	1414	2139	1853	896	957	2926	1705	1221	-787

* Calculated from the following sources: "Narodnoye khozyaystvo SSSR v 1987 g." [USSR National Economy in 1987], statistical yearbook compiled by the USSR State Committee for Statistics, Finansy i statistika, Moscow, 1988, pp 365, 392-393, 397, 399, 502-503; "Trud v SSSR" [Labor in the USSR], statistical handbook published by the USSR Committee for Statistics, Finansy i statistika, Moscow, 1988, pp 76-77.

** It is not possible to estimate the state of demand in 1988-1989 because data are lacking on the number of kolkhoz members, the size of scholarship payments, and benefits.

*** Calculated data.

For instance, the spread between the highest level of production of consumer goods on a per capita basis, which is in Estonia, and the lowest, which is in Turkmenia, was 7.6:1; for foodstuffs, the spread between Estonia and Tajikistan was 6.5:1; and for nonfood products, the spread between Latvia and Turkmenia was 10.1-fold. In eight republics, this level on a per capita basis was below the union average for the country as a whole; nine republics were below the average for foodstuffs and eight for nonfood products.

Even though the indicator of sales of consumer goods and paid services to the public, including cooperative trade, the kolkhoz market, and the food service industry, has the effect of equalizing the process of redistribution, which is based on centralized union stocks, the spread in per capita sales between the highest and lowest was 2.9:1, including 3.3:1 for foodstuffs, 2.6:1 for nonfood items, and 3.2:1 for services. Relative to the average union level, 10 republics had lower values for the per capita commodity sales indicator and 9 republics for the per capita services indicator.

Evaluating the degree of imbalance of the consumer market requires comparing the indicators of production, sales, and current effective demand (wages, pensions, benefits, and scholarships) for goods and services. We will compare the indicators of the production of consumer goods and current effective demand. Only in six republics was the level of production of consumer goods

higher than current effective demand. The level of sales of commodities and services was correspondingly higher in those republics. In 1987, the per capita output of consumer goods and services in Lithuania, Latvia, and Estonia, for example, exceeded the current effective demand by 1.5-, 1.7-, and 1.6-fold, sales exceeded demand by 1.1-, 1.2-, and 1.3-fold, respectively; that is, only 40, 50, and 30 percent, respectively, of the products produced in those republics and intended for personal consumption entered the redistributive mechanism. Meanwhile, there is information about what enters the union stocks, but not about what leaves it within the framework of the existing all-union division of labor. The result of this is that the bodies of government in these republics and the population are charging that relations between the republics and the center are not equivalent in nature. For instance, the figures reported by USSR Goskomstat on the level of development of the union republics and economic regions and on the degree of their participation in the all-union division of labor and industrial cooperation do not allow one to fully evaluate the contribution of each republic, and as a consequence judiciousness and objectivity of socioeconomic analysis are being replaced by emotional judgments on the principle of "the more emotion behind the argument, the more 'convincing' it will be." Data are lacking on the volume and structure of the national income produced, industrial production, the location of enterprises by forms of subordination and size, the

volume and structure of imports and exports of products and services in a republic breakdown, and the formation of republic and local budgets by economic organizations at various administrative levels. This list of indicators could be longer, but even those mentioned would be sufficient for an economic assessment of the participation of the republics in the all-union division of labor and industrial cooperation and of the effectiveness of their activity as commodity producers.

During the first 3 years of the current FYP, the state of affairs on the consumer market has not only not improved, but has even deteriorated with respect to a number of items. The present mechanism for centralization of supplies of consumer goods in union stocks followed by their redistribution to republics with a low level of production of consumer goods completely unrelated to their active participation in that process has two basic negative consequences. In those republics where deliveries to the union stocks are large, the local producers form the stereotype of the "plundering center," while in those republics to which goods are shipped from other republics on the basis of redistribution there are growing attitudes of dependency: those types of production operation of consumer goods for which centralized capital investments are not required do not get developed. On the whole, the republics which are the producers of energy resources, metal, and raw materials find themselves in the role of "spongers" on the republics producing consumer goods. When the question is put this way, the supply of energy, metal, and raw materials on whose territory types of production designed for final popular consumption are located because of the all-union distribution of labor is left "outside the picture." At the same time, it is obvious that without a raw materials base or energy base it is not possible to produce consumer goods, nor bring about the entire process of reproduction.

The uneven character of the location of the productive forces for the production of consumer goods, the level of their sales, and the degree of imbalance of the consumer market vary considerably from republic to republic. It is accordingly increasingly difficult to explain, say, to someone who lives in Turkmenia, where in addition to raising cotton they extract 11.5 percent of union gas production, why within the framework of the unified national economic complex (when the republic participates actively in the all-union division of labor, and its inhabitants are the owners of nationwide property and just as much citizens of the USSR as inhabitants of the Baltic republics) the level of production and consumption of goods and services in Turkmenia is only a fraction of the level in the Baltic republics.

At the same time, both in the USSR as a whole and in a majority of the republics the volume of sales of consumer goods and services is lagging even behind current

demand. If we include in the computation the officially recorded deferred demand (bank balances of individuals in the USSR Savings Bank), it turns out that in all the republics without exception there are large amounts of money in circulation which have not been backed up with goods. Since shortages are not diminishing, this leads to a situation in which ethnic problems are superimposed on socioeconomic difficulties.

Ethnic relations are a component of the system of social relations. It has been historically proven that economic relations have a definite impact on ethnic relations, just as they do on legal, ideological, political, and other relations. The exacerbation of interethnic contradictions is an indicator of economic instability. For example, interethnic contradictions between the Armenians and Azerbaijanis, which have historical roots and have repeatedly erupted into interethnic discord, have always been aggravated when the socioeconomic situation was unstable in the Transcaucasus. It is this that lies at the basis of the present contradictions in the Nagorno-Karabakh Autonomous Oblast (NKAO). For instance, in 1987 per capita state sales of meat and poultry (not including commission trade, kolkhoz trade, and private trade) for the population of the NKAO was 7.6 kg, sausages 1.2 kg, cheese 2.6 kg, canned meat products 1 can, and 29 eggs.

With respect to the production of consumer goods, Armenia occupied 11th place in 1987, Azerbaijan 10th place, while for foodstuffs alone they were in 13th and 11th place, respectively, but in Armenia the per capita level of the production of foodstuffs was 1.3-fold higher. The pattern is the same with respect to the level of sales of consumer goods. In Armenia, which is in 10th place (Azerbaijan 14th), the per capita level of sales of consumer goods was 1.4-fold higher than in Azerbaijan, and the difference for foodstuffs was 40.4 percent.

Constant communication with relatives and acquaintances living in Armenia and a direct comparison of the supply of consumer goods have provided vivid evidence to the Armenian population of the NKAO that people are living better in Armenia. Against that background, it was not very difficult for extremists on both sides to arouse nationalistic sentiments to fever pitch.

The disordered state of economic life has brought about nationalistic outbreaks in other regions of the country as well. However, in 1987 in practically all union republics the share of persons of the indigenous nationality employed in sectors of the economy exceeded their share in the total population in the given republic. The share of persons of the indigenous nationality is especially high in administrative, scientific, cultural, and educational entities, i.e., precisely in the most ideologically "colored" spheres of activity (see Table 2). Thus, the aggravation of ethnic contradictions is a consequence, not the cause of the deeper contradictions in the socioeconomic sphere.

Table 2. Share of Persons of the Indigenous Nationality Employed in the Sectors of the Economy of the Union Republic in the Total Number of Workers and Employees Employed in Those Sectors (as of 1 June 1987),* in percentage

Republic	Industry	Agriculture (not including kolkhozes)	Transportation and Communications	Construction	Trade and Food Service Industry	Housing, Municipal Services and Utilities, and Non-production Types of Services to Public	Health Care, Physical Education, and Social Security	Public Education	Culture and Art	Science and Scientific Services	Public Administration	Share of Persons of Indigenous Nationality in Total Population of Republic
RSFSR	83	75	85	78	84	85	83	81	83	85	83	82.6
Ukrainian SSR	68	79	71	69	73	68	68	74	70	59	73	73.6
Belorussian SSR	77	89	78	76	81	77	76	74	72	58	74	79.4
Uzbek SSR	53	76	55	50	66	55	64	69	63	39	57	68.7
Kazakh SSR	21	52	28	21	29	23	38	43	42	25	40	36.0
Georgian SSR	61	77	68	70	70	77	77	85	84	77	78	68.8
Azerbaijan SSR	69	90	74	73	78	76	88	80	79	60	78	78.1
Lithuanian SSR	71	84	67	81	79	80	80	84	83	64	86	80.0
Moldavian SSR	48	79	54	52	55	51	62	58	56	37	51	63.9
Latvian SSR	38	69	38	46	49	45	53	59	75	42	56	53.7
Kirghiz SSR	25	69	35	26	34	30	46	43	46	27	42	47.9
Tajik SSR	48	63	57	48	61	56	50	58	56	31	51	58.8
Armenian SSR	93	85	96	95	94	89	97	94	97	94	96	89.7
Turkmen SSR	53	81	48	54	65	53	62	67	70	48	51	68.4
Estonian SSR	43	84	47	61	62	67	67	71	84	67	72	64.7

* See "Trud v SSSR," pp 19, 22-23.

As of 1 January 1990, not only the Baltic republics, as well as the Belorussian SSR, had made the transition to the principles of republic economic accountability, and within RSFSR this had been done by the Tatar ASSR, by Sverdlovsk, Kemerovo, and Kuybyshev Oblasts, as well as by the city of Moscow. This is supposed to be an economic experiment under the "General Principles for

Restructuring the Management of the Economy and the Social Sphere in the Union Republics on the Basis of an Expansion of Their Sovereign Rights, Self-Government, and Self-Financing," which have already been drafted and discussed. This draft was adopted as a document for discussion after having been cleared with all the republics and supported by them, with the exception of

Estonia and Lithuania. What is the position of the latter based on? On an interpretation of their sovereign rights solely from legal positions, without taking economic realities into account. In the opinion of these republics, their exclusive right of possession, disposition, and use must extend not only to natural resources, but also economic resources: all property accumulated by work—both the work of the population that has lived and does live on the territory of the republic and also that which is located on their territory within the framework of the all-union division of labor, i.e., property that was created outside the limits of the territory of those republics. Estonia and Lithuania insist that all economic organizations located on their territory be entirely under the jurisdiction of the republic's administrative agencies, and the same applies to the products they produce and the distribution and circulation of those products. All economic organizations, regardless of their subordination at the present time, must take part in forming the budget of the republic at tax rates which it sets. The republic in turn will pay a portion of the revenues into the union budget in agreed proportions. A natural extension of this is the demand to establish republic monetary units with a market exchange rate against the "union" ruble. Consistent achievement of this could promote establishment of equivalent "Union-Republic" relations and equivalent relations in trade between republics.

In general outline, that is the position of the Baltic republics (as is well-known, Latvia joined with the agreed general principles advanced by the Baltic republics in the First Session of the USSR Supreme Soviet). How revolutionary and progressive is it? In our view, this position (as it has been formed) has mostly pursued short-term market objectives brought about by economic difficulties. We suppose that by emphasizing sovereignty in its juridical interpretation the Baltic republics were trying to put aside solution of the problem of the transition from the conception of distribution on the scale of the entire country to the conception of trade, since the basis of cost accounting is the basic production unit. Those principles contained in the conception of the Baltic republics are aimed only at replacing the supreme sovereign—the "master" over the direct producers, at who will manage, not at the way, based on the constitutional foundations of the Union and the republics, the economy of the latter will be integrated on a mutually advantageous basis into the YeNKhK. In the model of republic economic accountability they have submitted, the Baltic republics have expressed only their own interest, ignoring all the advantages and rights which they have received by entering the Union of Soviet Socialist Republics, and by passing on to the center all the duties and responsibility.

In this model, the question of policy governing the investment structure is skirted: as though it were self-evident that all centralized capital investments will be automatically transferred without compensation to the republics, and the latter will in turn determine for what they are to be used. And this in a situation where the

formation of the union budget is made dependent upon the republics. On the basis of their sovereign rights, the republics propose to take under their full control the formation of the production programs of all economic units, including enterprises under union jurisdiction, while it would be up to the Union to furnish them physical resources within the limits of the agreed state order. In essence, the proposed model is aimed not at strengthening a location of the productive forces that is optimal from the standpoint of guaranteeing social stability, not at overcoming the socioeconomic problems that exist in the country, but at aggravating them.

As we showed at the beginning of the article, only RSFSR and the Ukraine, which nevertheless have not advanced such "revolutionary" demands, have the economic prerequisites for the transition to republic economic accountability according to the model proposed by the Baltic republics. We feel that the social and cultural complex in every republic needs to be "completed" on an urgent basis and the productive forces developed for the output of consumer goods making maximum use of local capabilities. That has been set down in the "Basic Principles..." which define a judicious approach to the stage-by-stage transition to management of trade in the unified national economic complex and which offer the republics broad opportunities for conducting a vigorous social policy on their own territory.

Footnotes

1. Here and below, unless otherwise stated, the data are taken from the handbook: "Ob ekonomicheskoi i sotsialnom razvitiy soyuznykh respublik v 1988 g." [On the Economic and Social Development of the Union Republics in 1988], published by the USSR State Committee for Statistics, Informtsentr Goskomstata SSSR, Moscow, 1989, Issue 4, pp 20-26.

2. Here and below, unless otherwise stated, the figures given are for 1988.

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Cooperative Profits Discussed

904A0133A Moscow *EKONOMIKA I ZHIZN* in Russian No 2, Jan 90 p 11

[Article by Candidate of Economic Sciences A. Glushetskiy under the rubric "Viewpoint": "Are Cooperative Incomes Too High?"]

[Text] *One cause of social tensions in society is the opinion that has taken shape that the income of cooperatives is excessively high and does not correspond to their actual labor contribution.*

How much does it correspond to reality? Let's try to investigate. If we take the wage fund, it is quite considerable compared to the overall amount of income of the population. It was, for instance, 2.2 billion rubles in 1988. The funds being directed toward pay in cooperatives are increasing at quite a fast pace, it is true. The number of cooperative workers grew by 20 times, and the wage fund by 38 times, over nine months of 1989.

The average monthly income per employee employed in cooperatives (including those holding more than one job) is also growing. It was 317 rubles in the first quarter of 1989, 422 in the second and 528 in the third.

In my opinion, however, the official data cited are understated. There are real grounds to suppose that a certain portion of the cooperatives do not reflect their income fully in their financial statements. If we judge according to them, an appreciable spread is observed in the size of the average monthly earnings among individual types of cooperatives—from 167 to 900 rubles. There is an interesting general feature as well. The wages of 167 to 450 rubles are in cooperatives that deal with cash (public food service, passenger transport, consumer services etc.), while those from 450 to 900 rubles are in cooperatives that handle their accounts in non-cash form (scientific and technical, construction, artistic decoration). The conclusion involuntarily arises that some of the cash evidently goes directly to "personal income," bypassing the financial statements and other book-keeping formalities. The indicators for the size of incomes take an appreciable jump in places where the accounting system is set up in more well-defined fashion.

The true interval in which the average monthly income of the cooperatives, including those holding more than one job, is distributed, in my opinion, is 450-900 rubles.

But the question of how much the average monthly earnings of the cooperatives exceed the income of manual and office workers at state enterprises—and whether this difference is justified—is now taking on particular sharpness. It turns out that average earnings are almost double in the cooperative sector, according to official data. The actual gap will be even larger, however, allowing for the fact that the share of those holding more than one job (about 40 percent), not working a full work week and for whom this is not their principal income is higher in cooperatives. Here is what the correlation looks like, for instance, between the additional income obtained by those holding jobs in both the cooperative and state sectors, by individual sectors: 216 and 576 rubles (here 66 percent of the dual job-holders are in cooperatives) in information-support organizations; 357 and 655 rubles (66 percent multiple job-holders) in design and prospecting organizations; 300 and 658 rubles (71 percent multiple job-holders) in scientific institutions; 162 and 318 rubles (70 percent multiple job-holders) in health care; 183 and 363 rubles in retail sales; and, 309 and 842 rubles in construction.

The substantial differentiation in earnings within the cooperative sector itself should be noted as well.

Surveys of scientific and technical cooperatives in Moscow, Leningrad, Kiev, Minsk and Kharkov that were conducted in October-December 1988 revealed that the average monthly earnings of a cooperative member reach (without profit distributions based on the year's results) 1,043 rubles, while individuals working according to labor contracts and agreements receive 587

rubles, that is, 1.8 times less. That is, moreover, the sole source of income for just 20 percent of the cooperative, the rest have other earnings as well. The correlation of cooperative members and individuals working under contract is one to three.

How are the cooperatives receiving high income? Partly through high return on labor, and partly through redistribution. It is no secret that highly skilled labor is utilized at a number of cooperatives (scientific and technical, medical), which requires the corresponding pay. The workday is furthermore increased at many of them, first and foremost those formed from state industrial and construction enterprises and organizations. The shift is frequently extended to 10 hours with Saturday work. The process and labor discipline are reinforced, while overhead is reduced appreciably. The Berezka cooperative, which arose on the basis of a fibrous-cement slab plant, cut back the number of workers by 30 percent, including by 57 percent for engineering, technical and office personnel. Labor productivity rose by 72 percent. This is the objective basis for a justified rise in earnings.

But the cooperative sector, despite all of the obvious successes, is nonetheless not producing a twofold, the more so a many-fold, increase in labor productivity compared to the analogous state enterprises. The highest indicators for growth in average monthly incomes of cooperatives are 70-75 percent, while the rise in earnings frequently reaches 200 percent. It is well known that the high earnings in cooperatives are being reached to a considerable extent through distributive factors and high prices.

But we will put aside price maneuvers and consider the activity of cooperatives that employ the same prices and rates as state enterprises. There remains in that case one channel for raising earnings—directing a greater portion of income into the wage fund. That opportunity does not exist at state enterprises, their activity is regulated. The cooperative has complete freedom.

According to the Cooperatives Law, the determination of the share of income for the wage fund is exclusively the right of the general assembly of cooperative members. Whence the likelihood is great that a large portion of income will go for pay outside of any connection to its output. The share of wages in commodity output is thus an average of 13 percent at state industrial enterprises and 37.2 percent at industrial cooperatives, including 9 percent in light industry versus 38 percent in cooperatives producing consumer goods and about 23 percent in state construction organizations versus 46 percent in construction cooperatives. The share of sales volume going to the wage fund in the cooperative sector overall is 41 percent. The wage-intensiveness of cooperative output is 2-4 times higher than the analogous state level. About 70 percent of the income remaining at the disposal of the cooperatives, according to the data of USSR Goskomstat [State Statistical Committee], is directed by them into the wage fund, and 15 percent into the development fund.

But can the higher share of income directed to the wage fund of cooperatives always be considered excessive? Perhaps it is too low in the state sector? It seems that this is valid in a number of instances. Recognition of this fact is nevertheless not reducing social tensions. A sharp rise in earnings and consumption by one population group is regarded as a privilege and a violation of the principles of social equity under contemporary conditions. A situation is taking shape where certain social segments, with fixed incomes, are bearing the brunt of inflation and the fight against it, while others can increase their own monetary incomes freely and without particular stress, with no concern for the interests of society.

Entirely reasonable questions arise in connection with that stated above. Why is pay different in different sectors of the economy for equal labor? Doesn't that signify the granting of lopsided advantages to the cooperative form of business management? Growth in the cooperative sector today is transpiring to a significant extent not through augmenting new types of production, but by way of the transformation of existing state enterprises into cooperatives, since more income can be obtained therein without particular effort with the same production volumes.

What is the way out of this situation? The cooperatives, after all, have become an important constituent element of our national economy, and both sectors should prove their advantage under different economic conditions. It seems that one way out is further improvements in the tax system. The idea of progressive taxation in particular is to impede the lopsided redistribution of funds into wage funds to the detriment of production accumulation. Practical experience has shown, however, that this tax measure is insufficient.

The government has been forced to resort to another tax sanction that already goes beyond the framework of the initial concepts of the law—a tax on increases in funds directed to wages—which will have equivocal consequences. That small portion of the cooperatives that actively pursued production accumulation without ballooning their own wage funds will be put on especially unfavorable terms. The cooperatives that ate up their income and were able to “fatten up” the initial basis of their earnings have, on the other hand, proven to be in a privileged position.

An economically expedient pattern of income distribution must be maintained in the cooperatives through tax means. This approach is already being tried in the Latvian SSR. This is not, of course, the sole possible variation. We must actively seek out other ways as well.

USSR Goskomstat Polled 101,000 People on Their Attitudes Toward Cooperative and Individual Labor Activity in 1989
(in percent of those polled)

	Evaluating cooperative and individual labor activity:					
	all those polled			those making use of their services (products)		
	positive	negative	undecided or difficult to answer	positive	negative	undecided or difficult to answer
USSR	14.7	29.4	55.9	25.3	19.0	55.7
—RSFSR	14.4	29.6	56.0	23.2	19.9	56.9
—Ukrainian SSR	15.0	31.0	54.0	26.8	19.1	54.1
—Belorussian SSR	14.2	28.0	57.8	28.0	18.8	53.2
—Uzbek SSR	9.5	30.2	60.3	18.4	24.3	57.3
—Kazakh SSR	14.0	30.4	55.6	25.0	19.2	55.8
—Georgian SSR	14.5	23.7	61.8	34.4	10.0	55.6
—Azerbaijan SSR	22.3	22.8	54.9	41.2	14.7	44.1
—Lithuanian SSR	14.8	22.7	62.5	26.7	10.7	62.6
—Moldavian SSR	13.7	35.1	51.2	27.5	24.2	48.3
—Latvian SSR	21.9	18.1	60.0	34.1	9.5	56.4
—Kirghiz SSR	15.3	26.8	57.9	27.9	18.3	53.8
—Tajik SSR	10.6	23.5	65.9	22.4	17.3	60.3
—Armenian SSR	27.8	18.3	53.9	48.9	10.9	40.2
—Turkmen SSR	8.9	40.2	50.9	19.7	32.4	47.9
—Estonian SSR	30.1	7.8	62.1	43.3	3.3	53.4

Over 26 percent of those polled made use of the services (or acquired the products) of cooperatives or individuals (over 35 percent in the Armenian and Estonian SSRs, 17 percent in the Belorussian and Moldavian SSRs).

One out of three of those expressing their attitude toward cooperative and individual labor activity had a positive evaluation of it. The number of advocates of the new

forms exceeds the number of those opposed to them in the Estonian, Armenian and Latvian SSRs.

The new forms of activity are supported by 9.2 percent of retirees, 24.9 percent of supervisory personnel and 24 percent of those with higher education.

At the same time, more than half of those polled both across the country overall and in each republic are undecided in their attitude toward cooperative and individual labor activity.

	Those polled noted the positive contribution of cooperatives and those employed in individual labor activity:							
	to the assortment and quality of goods and services		to public food services		to medical care		to consumer services	
	all those polled	those making use of the services (products)	all those polled	those making use of the services (products)	all those polled	those making use of the services (products)	all those polled	those making use of the services (products)
USSR	12.1	24.5	8.0	13.7	11.8	18.4	13.0	21.5
—RSFSR	12.1	23.5	6.9	11.7	12.1	18.9	12.7	20.5
—Ukrainian SSR	11.2	23.3	5.6	10.5	12.3	19.7	12.9	22.1
—Belorussian SSR	10.3	25.2	2.9	8.2	9.2	14.0	11.0	22.2
—Uzbek SSR	11.7	25.2	15.3	25.8	11.9	19.8	14.4	19.6
—Kazakh SSR	8.3	18.9	10.5	18.7	10.3	14.8	10.5	17.8
—Georgian SSR	18.6	44.7	16.9	26.8	16.1	25.4	19.5	42.5
—Azerbaijan SSR	17.1	33.2	19.4	29.1	10.4	13.3	17.2	19.2
—Lithuanian SSR	15.8	27.4	16.6	26.0	12.2	17.4	19.8	31.9
—Moldavian SSR	6.7	15.6	4.6	9.7	11.9	20.4	12.8	26.0
—Latvian SSR	19.6	32.3	11.9	22.0	14.7	19.0	17.3	26.7
—Kirghiz SSR	12.2	28.2	16.6	25.6	10.8	16.0	9.1	13.1
—Tajik SSR	7.4	15.7	8.9	16.9	5.4	7.7	6.8	11.2
—Armenian SSR	24.3	38.8	14.3	20.1	11.8	19.3	21.7	31.0
—Turkmen SSR	10.4	26.0	6.6	12.6	4.6	7.4	9.1	18.2
—Estonian SSR	26.6	42.6	24.8	30.5	8.9	11.1	22.6	34.3

Over 29 percent of those polled noted the appearance of new goods and services, 24 percent the opportunity of acquiring goods and obtaining services that were difficult to obtain before, and 16 percent the decrease in shortages of goods and services.

Almost nine out of ten of those polled cited high prices as a principal drawback, while almost half mentioned poor quality of goods and services and the lack of guarantees on their service. More than half feel that the cooperatives are receiving unfairly high incomes, and a third that the outflow of highly skilled personnel from state enterprises to the cooperatives has increased.

Some 17 percent of the total number of those polled would like to be employed in cooperative or individual labor activity.

Interview with Design Bureau Engineer on Conversion

90UM0203C Moscow PRAVDA in Russian
30 Dec 89 Second Edition p 2

[Interview with A.F. Nazarenko, USSR people's deputy, chief engineer at the "Yuzhnoye" Design Bureau, by N. Mironov: "Swords Into Ploughshares"]

[Text] Conversion—it is a new word in our dictionary. But now we hear it more and more often. The defense industry crosses over into the civilian sector and we, speaking figuratively, are beating swords into ploughshares. The conversion process encompasses 420 enterprises of the defense industry. One hundred enterprises will be refitted meat (including meat products) (including a 35.1-percent share for RSFSR), and 92.2 percent for eggs

some types of plastics, and technologies requiring special means of processing without capital restructuring and refitting of its enterprises.

Under these conditions the new materials and technological processes which were discovered, let us say, in the process of building the "Energiya-Buran" system cannot be adopted by other branches any time soon. Of course they could be used, for example, in medicine, electronics, and the radio industry, but... In a word, the contour of the defense enterprise should not be changed under any circumstance. The new nomenclature should adjust to meet the old.

[Mironov] If I have understood you correctly, conversion requires serious scientific study. It cannot be carried out in an offhand manner, as often happens with us. Perhaps it is worth discussing the matter seriously in the Supreme Soviet. There is the means of planning, the administrative mechanism, and the sources of funding—it all requires legislative consolidation!

[Nazarenko] Apparently we do need that. Organizational questions present a special complexity. In particular, the presence of a converted portion of production inside a defense enterprise means that the articles for the national economy automatically share the overhead expenses for the defense production. And this makes them unprofitable or uncompetitive. On the other hand, separating the converted factories from the defense enterprises can mean that they lose their ties to the other enterprises that supply them with parts. And that may put the very possibility of their existence into question.

For this reason the most tempting possibility seems to be the creation of branch enterprises on complete economic accountability, "independent" in terms of organization and finances from the enterprise producing the defense product. Cadres released from the basic production should work at such an enterprise. It seems possible for both enterprises to preserve their independence of production, forming in the final analysis a concern or firm which can produce supersonic aircraft and agricultural equipment as well as consumer goods of all types. An example for such firms could be the well-known company Fiat in Italy or General Motors in the United States.

[Mironov] And the issue of cadres—is it a matter for concern?

[Nazarenko] Absolutely! I am not going to repeat here the well-known truism that the cadres should be trained. But who knows how much money we have thrown away for nothing because we artificially create the conditions for a forced migration of a labor force? Especially of young engineers and highly qualified specialists.

In the country today we have a great number of people without fixed places of residence—the homeless. They are people without rights and with no prospect of receiving housing. And who knows, perhaps the regulations on registration played an important role in the fate

of so many people by forcing them to wander about the country without steady work, which means without experience.

In order to put an end to the nightmare of innocent victims, I believe that we must immediately, without waiting for repeal of the regulations on the passport system, introduce a number of amendments to them, severing the connection between the right to work and registration for a place of residence. With this goal in mind, I suggest that when a citizen without his own housing and registration starts a new job, he should complete a declaration containing information about himself, his wish to enjoy his right to work, and the proposed place of residence (at the home of the parents, in a dormitory, in the private sector). Both parties will sign the declaration, and it will become a legal document giving a man the right to work where he wishes, in the field where he was trained. And the enterprise should help in the solution of his housing problems. Paragraph 36 of chapter 4 of the regulations on registration should be stricken. I have submitted these proposals in one form or another to the USSR Supreme Soviet.

You see how many problems—both public and private—conversion has. If you look at it closely, it touches everything. And if we wish to get the quickest return from it, we must not rely on chance.

GOODS PRODUCTION, DISTRIBUTION

Transbaykal Plant Converts To Consumer Microelectronics

90UM03524 Moscow KRSNAYA ZVEZDA in Russian 4 Mar 90 First Edition p 4

[Article by I. Tsurik: "Shop in a Former Barracks"]

[Text] The first industrial lot of electronic desk clocks has been turned out at the Transbaykal Mining and Chemical Combine [GKhK] in a village of the First of May Chitinskaya oblast. Until now such items were not produced in the region.

Even a year ago few in the oblast knew about the existence of this enterprise—it was a defense plant and was classified. The beginning conversion "declassified" the combine. A year ago, consumer wares, plastic dishes, buckets, and basins, produced in the shops of the GKhK, appeared on store shelves in Transbaykal. Then production of more serious goods was organized—equipment for milk processing. And now they have taken another step: the combine has begun to produce electronic clocks.

The new plant was set up...in a former barracks. Military construction troops and security guards use to live here. After refitting and repair, new residents appeared in the spacious four-story building—microelectronics workers.

"Our shop is still in the developmental stage," says the deputy chief of the plant, V. Gazaryan. "We have

for the manufacture of new products in 1990 alone. This data was introduced at the second USSR Congress of People's Deputies. Debate on the report also began with the question of conversion. It is a complex process. And it is not as quick as we would like. Our correspondent talks about this subject with A.F. Nazarenko, USSR people's deputy, chief engineer at the "Yuzhnoye" Design Bureau.

[Mironov] Arnold Filippovich, the amount spent on defense was named for the first time at the Congress of People's Deputies—77.3 billion rubles. The reduction of these expenditures by a third has already had a palpable result. However, the changeover of defense enterprises to civilian production must also cost a great deal of money.

[Nazarenko] I would like to begin by saying that the figure for defense expenditures is apparently higher still. First, a number of civilian ministries should be attributed to the defense industry: The Ministry of the Aviation Industry, the Ministry of the Shipbuilding Industry, and even the Ministry of Light Industry. Second, if we consider that one ruble is really worth 20 cents, it means that we spend only about 34-40 billion dollars on defense. One asks how, with parity in the primary types of strategic weapons, with the same number of armies, and with equal numbers of conventional weapons, we have managed to spend 10-15 times less than the Americans, under conditions of lower labor productivity.

Of course one must make allowances for the lower wages in our branches of defense production than, let us say, in the leading American firms engaged in the production of weapons—Martin Marietta, Lockheed, Northrup, and others. In general one must hope that the appropriate commissions of the USSR Supreme Soviet will examine all these facets of defense expenditures. The main thing is to provide the needed defense at the lowest valid cost.

It is no secret that the money earned with such labor in the national economy is not spent in the best manner. Proof of this is provided even by such an instance as the following: In accordance with the Treaty on the Reduction of Intermediate-Range Missiles we destroyed four times more of these missiles than the Americans. And each of them, in conjunction with the technological equipment for launching, costs a round sum of 5-10 million rubles. As a result the commissions of the USSR Supreme Soviet and the Congresses of People's Deputies must carefully examine the plans of the Ministry of Defense and the size of the appropriations for their maintenance.

[Mironov] How do you envision changing the defense industry over to a civilian basis?

[Nazarenko] We know that the branches of the defense industry are the most developed and organized portion of our productive forces. Therefore, in the restructuring of the economy they should play the role of a source not only of funds but also of the most advanced technologies which are able to guarantee production of consumer goods at the level of the world's best models. There is

also another possibility: Transfer these technologies to other branches of the national economy.

[Mironov] In what manner?

[Nazarenko] Some possible ways of doing this are to move formerly restricted patents into general use, to apply those scientific and technical methods utilized in the defense branches, to use those technical resources under the jurisdiction of the Ministry of Defense for the needs of the national economy, and finally to convert a portion of the defense branches and enterprises.

[Mironov] But does it not seem to you that we expect more from the defense enterprises than they are able to offer, owing to their particular nature? Many people are sure that the defense people can do anything. Of course, your cadres have a high level of qualification and you have the most modern equipment. But an enterprise that manufactures rockets for space travel was unable for a whole year to set up a production line to manufacture common sausages.

[Nazarenko] True, the process of conversion will not go smoothly. Although the Congress of People's Deputies has passed a resolution charging the USSR Council of Ministers to complete organization of the conversion by the end of this year.

There are many problems. Some we simply cannot foresee, and we will make mistakes when we try to solve a certain number of the rest. One thing that already has us on our guard is that individual managers want to carry out the conversion by simply curtailing the volume of defense production—without changing the enterprises over to the production of goods for the national economy, with a reduction in the number of workers. Others, on the contrary, undertake to solve the issue of conversion without changing the structure of the enterprises. The latter case especially pertains to the scientific research institutes and some design organizations.

The matter is made more difficult because not all managers of defense enterprises clearly understand the market situation. They have not learned to consider the money. They consider the national economy programs secondary, and they believe that they need not fear the stick and will not benefit from the carrot.

The problems which I have enumerated so far are only, one might say, the "children's diseases" of conversion. But there exist other problems which do not depend on the will of people. First of all, the converted enterprises are not prepared to change over from limited to mass production, which requires additional capital investments. Furthermore, and even more troublesome, sometimes it is simply impossible to transfer the new technology utilized by the defense enterprises over to the branches producing civilian goods because a gap in technological level of production of 10-15 years sometimes exists between them. For instance, the Ministry of Automotive and Agricultural Machine Building is not in a position to make use of titanium and aluminum alloys,

managed to set up, organize, and test only a part of the equipment, the rest is still coming. Our manning is still not complete either. Three groups of specialists are being retrained in Novosibirsk. However the job is started, and the shop is already operating. We assemble clocks from parts provided on a contract basis by the "Adron" production association in Novosibirsk. Soon however, we will begin producing the microcircuits and casting the housings ourselves. Besides clocks, we plan to make parts for computer equipment. If everything goes as planned, we hope to produce goods worth at least four million rubles a year within a few years."

Conversion; Complete Switchover at Yuryuzan Mechanical Plant

90UM0203B Moscow IZVESTIYA in Russian
1 Jan 90 Morning Edition p 3

[Commentary by V. Konstantinov, deputy chairman of the Chelyabinsk Oblast soviet executive committee, reported by G. Shcherbina under the rubric "Fact and Commentary": "Conversion: An Arsenal—for the Kitchen"]

[Text] As opposed to other years, the mechanical plant in the town of Yuryuzan in the southern Urals will this coming year meet with a "voluntary" slowdown: On 1 January it is switching over completely to the production of goods that it had earlier produced alongside defense goods—"Yuryuzan" refrigerators and leaf chains for agricultural machines.

V. Konstantinov is deputy chairman of the Chelyabinsk Oblast soviet executive committee. The struggle to increase production of consumer goods is one of the planks of his election campaign. The city's workers nominated him candidate for RSFSR people's deputy.

The Yuryuzan factory is only one of numerous subjects for conversion at enterprises of the defense complex in the oblast. Back in June of this year the oblast soviet executive committee attentively examined the proposals of the labor collectives of defense complex enterprises in the southern Urals concerning conversion for 1990-1995. On the basis of this examination, the main directorate for planning and economics introduced the appropriate calculations into the plan for the social and economic development of the oblast.

The plan stipulates that production of consumer goods at enterprises of the defense industry will increase this year by one-third, or 162 million rubles, in comparison with 1989. The conversion will contribute 60 million of this sum. This policy corresponds with the spirit of the tasks set by the government and approved by the USSR Congress of People's Deputies concerning the improvement of the economy.

I would like to single out the "Factory imeni S. Ordzhonikidze" production association from among the enterprises assuming the main burden of the conversion. Here they planned to boost the volume of output of consumer

goods by a factor of 1 1/2. The Kopeysk plastics factory, the Kaslinskiy engineering works, the "Elektromekhanika" scientific production association, and other enterprises are increasing production of civilian goods by 20-30 percent.

It is important to stress that the number of different types of consumer goods also increases as the volume of production grows. Only by dividing up the technology for complex consumer goods will they master production of 25 categories of products, including, for example, microwave ovens for cooking food, washing machines, video recorders, pacemakers, and compact woodworking lathes.

Many enterprises have concluded agreements on cooperation. For example the Kaslinskiy engineering works, known for its decorative cast-iron pouring and its meat grinders, and the Chelyabinsk "Pribor" factory concluded an agreement on deliveries and, using electric motors from the "Elektroapparat" factory in Miass, already produced tens of thousands of universal cooking machines last year. Thanks to cooperation with foreign firms, the above-mentioned "Factory imeni S. Ordzhonikidze" production association has mastered the production of soft furniture and washing machines.

During this holiday season I do not wish to ruin the mood for myself or anyone else. But unfortunately not all of the enterprises of the defense complex intend to make a worthy contribution to an increase in the wellbeing of the oblast's workers. Some of them plan to boost production of non-food consumer goods only about 8-15 percent, which is significantly lower than the average for this industry. I place the blame, for instance, on the leaders of the "Elektromashina" production association who could produce vacuum cleaners, which remain in short supply, using the design of its electric motors; or the "Polet" production association (radio-controlled toys), the Ust-Katav automotive factory (training bicycles and sporting equipment), the Kyshtym radio factory (electric lighting), etc. However, I understand that, perhaps, it is not so much their fault as their misfortune. Planning from below, from the labor collectives, has been legalized on paper, but in practice the staffs of the branches make arbitrary changes as before: Either they cross whole items off the plans altogether, or they leave everything alone but do not allot the material resources for them. And so we still wait to establish a market...

There is another facet that causes trouble. As you know, on 25 May 1989 the USSR Council of Ministers published order No. 911-R, which is intended to increase production of consumer goods. At first glance the document seems correct and well thought out. Unfortunately, it stipulates such deductions from the state budget that the local soviets lose all incentive to get involved in raising the output of non-food products. It is necessary to reexamine this document and ensure that, for 1990 and for the 30th 5-year-plan, the local soviets will have at their disposal for sale to the population the entire amount of the increase in goods, in comparison with the

preceding year, produced by defense enterprises located on their territories (rather than 50 percent, as it is currently written). If I can talk about the ideal situation, then it would be useful for about two years running to leave the increase at the disposal of the regions—for building up the base and switching over from administrative methods of direction to economic and market relations. This is extremely important for our oblast because 92 percent of the industrial potential concentrated on its territory is property of the Soviet Union, which means the local soviets receive only crumbs during the distribution of the increase.

One more remark in conclusion. Despite a series of resolutions by the union and republic governments concerning the assignment of priorities when allotting material and technical resources for the production of consumer goods, the majority of enterprises, including those mentioned here, are still not guaranteed a plan that fully balances the production of goods with material resources. And we do not want to drag all these discrepancies that plague everyone into the new economic year.

PERSONAL INCOME, SAVINGS

Issue of Poverty Unresolved

904D0063A Leningrad LENINGRADSKAYA PRAVDA
in Russian 23 Jan 90 pp 1-2

[Article by A. Manilova: "Social Accounting: Does Everyone Poor Mean Everyone Equal?" For text of 6 Jan 89 "Crooked Mirror" article, see pages 56-60 of the JPRS Report SOVIET UNION: POLITICAL AFFAIRS JPRS-UPA-89-024 of 17 Apr 89.]

[Text] *Every man has the right to a living standard, including food, clothing, housing, medical care and basic social services, necessary to protect his own welfare and that of his family.*

(Article 25, Part I, of the General Declaration of Rights of Man)

A year has passed since our article "Crooked Mirror" (January 6, 1989) first touched this issue as though it were a raw nerve. A storm of intense readers' responses showed that readers were excited, surprised or encouraged by the very fact that poverty was called by name, and data on income and expenditures of a typical Leningrad household were provided honestly.

In response, the authors of those letters rushed to tell us their story. An old Leningrader who survived the blockade recounted her life year by year, which began in want and was coming to an end in want, too. A mother of twins diligently added up rubles and kopeks she spent in a day. A student of mathematics, forced to drop out of the university in his fifth year, wrote that he no longer had any future.

All of them wanted one thing only, to paint a true picture of the way the ordinary Soviet citizen lived.

Nonsense and Norm

Indeed, the truth about our life, buried for so long beneath a layer of mystery and myth, is now in the open. The horrible (but by no means complete) figure has been published: 40 million of us live below the poverty line. The efforts of the 1st Congress of People's Deputies, the Supreme Soviet, the head of state personally and, of course, the press have finally succeeded in putting social accounting to the fore of public attention. Is poverty as a phenomenon now seen a hundred times sharper, in bolder relief and, most importantly, in more depth than a year ago?

It is not. And this is the rub.

We become more honest in baring the condition of the have-nots and mention more and more facts, but at the same time we narrow the angle at which we look at the problem. This angle lets us see the lonely old woman or the helpless invalid whom "the society of developed socialism" has forced to live, and to survive, on 50 kopeks a day. But while commiserating with them, so weak and downtrodden, we become so preoccupied with their pain that we barely notice among the poor other fellow-citizens. Such as the widower with two kids who live on the wage of a single engineer. Or the single mother with a state subsidy of R20 a month. Or the young family with a sick child.

And of course we have no time left for the so-called typical socially secure family, which has no sick, no invalids but only healthy working people. I pick up at random a letter from the thick folder containing letters about poverty. It is from M. Silantyeva; she is a librarian and her husband an engineer. They have two children and live in peace. An established family, you would say? Yes, of course. But think of it: "My R90 and his (the husband's) R130 per month should be divided by four," writes M. Silantyeva. Do you have the answer?

While pondering readers' responses, I could not understand something for a long time: what struck them so much in one fact mentioned in "Crooked Mirror"? Let me remind you that an engineer with a salary of R150 and a life that was by no means tragic had written: "I am 50 years old and I have been working for over 31 years, but have not earned enough money to buy myself a winter coat." This is a very ordinary fact. And then it dawned on me. Of course it was an ordinary fact, that was the point. It was nonsense turned norm.

I am not saying that we should pay less attention to old people—we are not paying them enough attention anyway. I am saying that retirees and invalids are not alone in being oppressed by poverty. The problem is that many of those who live below the poverty line need neither state assistance nor charity but one thing only: a normally organized society, where a hard-working person does not live in poverty.

This is why after giving its due to the Supreme Soviet which collected, ruble by ruble from all sources, billions

for indigent retirees, let us not get too enthusiastic. For to fight poverty **only** by raising minimum retirement benefits—today to R70, tomorrow to R75 and the day after to R80—is like giving an extra dose of powders to a patient in need of surgery.

What is the conclusion? It is simple, I think. We must eradicate from our conscience the entrenched attitude toward poverty as something that only concerns the social security department. We must understand that old people will always be poor in a society which keeps the producer of material wealth from becoming rich.

One would think it is a simple idea. The more opportunity to realize one's talents the country offers, the more self-motivated, enterprising and self-reliant people get truly involved in business, the more there are goods, services and other wealth, the faster overall national product grows, the richer society as a whole becomes, and better able to provide social services. But let us not be surprised if the same retiree whose interests we have in mind rejected this "alien" idea out of hand. It is quite probable. A man raised on the ideals of equality in poverty sees any appeal for inequality as betrayal of those ideals.

Yet, I do not have that retiree in mind but those who speak on his behalf and claim to look after his interests. "Down with Abalkin's Economy! Down with Fat Cooperators!" Down with this, down with that. There are many slogans but they mean the same thing: rejection of the fundamental ideas of economic reform, diverse forms of property and the end of equalization as a principle on which society is based.

I recently visited the oblast trade union council, sat at its meetings, leafed through its documents and was surprised to learn how much—yet quietly and unassumingly—the unions did last year to help the poor. They came up with R16 million to raise minimum retirement benefits in Leningrad early and to pay supplements to pensions to single invalids and subsidies on medications. This is true care for the poor.

But the question arises what if that fat cooperative movement regularly contributed a tangible share of its earnings to support those who depend on the state? Objectively speaking, would it not then become an ally of the unions? Is it its fault that no financial controls were built into the cooperative movement and no rational tax policy was developed? Why do self-appointed guardians of workers attack the movement for the fact that state enterprises still have yet not freed their own hands?

The poor will not be better off if everyone around them remains poor. Or if, as before, there is no incentive to produce, create and save wealth. The fact that our passports are now required, along with the money, to buy half a kilo of half-edible sausage, clearly signals that the time for sharing has passed.

Do We Have the Middle Class?

Now let us return to the "Crooked Mirror" article. Not everyone has time to wait for the final victory of economic reform. Society has a duty to help retirees, the disabled, those who lived through the blockade, people with broken lives, widows and their kids, victims of Stalin's repressions and all the downtrodden, and to do so now, today. But how? This was the topic of that article. A concrete proposal was made, and then unanimously supported by readers: **to create an all-city comprehensive social assistance program.**

In short, we must tell Leningraders that time has come.

Let me report to you that no such program has been created. The Leningrad ispolkom, its family services and the Leningrad soviet permanent commission on social development did not even bother to reply to the proposal made by the newspaper and addressed directly to them. Even though the proposal was repeated in the May 5 issue, under the rubric "Following up on Articles."

Without waiting for the official response to the article, sociologists lent their support to the newspaper. B.Z. Doktorov, chairman of the board of the northwestern section of the Soviet Sociology Association, and P.B. Shchelishch, chairman of the city consumer club, immediately began to set up their own, independent source of scientific information about our living conditions. On the pages of the newspaper, they appealed to all those who supported the idea of creating the social assistance program to work together.

Some of our readers responded by supplying detailed accounts of their family budgets. Others diligently answered a questionnaire. Others still agreed to become permanent participants of sociological studies. **As a result, over 500 residents of the city took an active part in discussing the article.** T.Z. Protasenko, an employee of the Leningrad affiliate of the USSR Academy of Sciences Institute of Sociology, conducted a scientific study of readers' letters. Tatyana Zakharovna also showed me results of the most recent studies by Leningrad sociologists on the issue of living standard.

Do we have millionaires or not? Heated arguments erupted in the press (and not there alone) on this subject. One group maintained that 5 percent of the population held almost the full value of all Savings Bank deposits. Another group replied that large deposits made up only 0.6 percent of the total. The first group claimed that the law on property was a bomb placed by shadow economy under socialism. The second group said that opponents of change were trying to frighten us with stories of millionaires poised to buy up factories and plants.

This is no idle subject. Too bad, though, that it focused on the issue of superprofits. Between the pole of wealth and the pole of poverty there lies an entire continent called the middle class. The world over, it is seen as the decisive factor in determining the social welfare of a society. The standard of living and the extent of freedom

is measured in that class. It is logical, since the middle class is born, in effect, from the opportunity to prosper by hard work. This is why this class has a vital stake in seeing the economy organized rationally and the bureaucracy removed from power.

But this continent is unknown to us. It is a blank spot on our map. Our statistics are not even able to provide a figure for the average income of the middle class, which is, in effect, **the standard of affluence** to which perestroika wants to raise the absolute majority of the people.

Let us use this point of view to look at the picture painted by sociological studies: 30 percent of respondents barely make ends meet, 52 percent replied that they have enough only to cover their daily expenses, 12 percent may be viewed as relatively well-off, with only big ticket items such as television sets, refrigerators and furniture giving them trouble, and 6 percent live well.

Half of all respondents, as we can see, was between the two poles. Is this our middle class? It would be a grave mistake to think so. If one has enough money to buy dinner but not enough for a greatcoat with a fur collar, a carrot from the farmers' market or music lessons for his kid, he lives below average, albeit above the poverty line. Consequently, we must look at the remaining 6 percent for our prosperous middle class. In truth, we must at long last learn who in our society becomes, if not an underground millionaire or a legal owner of a R100,000 savings account, at least an affluent citizen of sufficient means—and how he does it. Could a worker from the "Kirovskiy" plant become one? Or do cooperators alone have that chance, or, at best, cobblers from "Lenvest"? It is a kind of test allowing us to gain insight into the most important issue: whether or not the reform progresses and the producer of wealth—and the entire society together with him—grow any richer.

Around the Consumer Basket

Thus far, one thing is known. According to workers taking part in the poll they need R235 per person per month to live well. Professionals with higher education think this figure should be R300. On the whole, all—I repeat, all—recent studies list the same figure for the necessary monthly per capita income, R260. This is the true level of affluence, given the rate of inflation, pervasive shortages and all other realities of our ailing economy.

Other conclusions reached by sociologists are equally important. They insist that according to regular sociological surveys the average per capita income of Leningraders is just R138 a month.

They insist that in 1983 there were three times fewer poor people in the urban population and three times more of those who lived well.

They also point out that the age of 25-to-35 years is critical, since this is when average per capita household income drops precipitously.

They conclude that people with lowest incomes live in communal apartments, thus forming a doubly exposed social group.

They also shatter the myth of the prosperous worker family. They say that salaries are indeed higher in such families than among office workers, but the share of migrants among them is higher, too, of ones who get no support from relatives; their birth rates are also higher. As a result, their incomes are lower, strange though it may seem.

Conclusions: we have diagnosed the extent of the illness and identified the stricken area. Now we need cure. We must treat the most severe cases first. What do you think, could we free all old people in Leningrad with minimum old age benefits from social oppression? This sounds like a utopia, does it not?

And yet, sociologists have found that Leningraders think poverty starts at an income below R86 a month. Thus, R90 is an acceptable level. It is known that some 350,000 Leningraders live on retirement benefits of or below R70. Hence, we must give a raise of at least R20 to each of them. This is a simple problem, and the answer is we need R7 million.

One can always turn away, saying that the city has no money. But do not rush ahead. He have not yet seen the full scientific force of our sociology which is besieged by amateurs. This is, if you will, a question of culture and decency. Come on, do you really not think that city fathers could find that money if they had a concrete and noble goal before them? I do not doubt that they could, and more, if they rallied enterprises, trade unions, cooperators, Komsomol clubs, writers, actors and athletes. Or worked together with the church, if need be. In short, if they did what authorities are supposed to do.

But enough wishful thinking. It has not been done. Not a single session addressed the issue of poverty seriously. (It could not have been otherwise, since the very term poverty remains unofficial.) Not a single decisive measure has been passed to soothe the souls of people who ache from injury. Read the following letters carefully:

"I am an invalid of the 2nd group (without the right to work), aged 42 years, with a pension of R106 minus child support. My net income is R42 a month. Society needed me as long as I was healthy. I graduated from the Navy school with honors, served on ships and have awards for good work, rationalization proposals and achievements in sports. Today, I do not have a coat to go outside in winter." (Yu.Kochkin)

"I am 80 years old. Recently, my grandson, Arkadiy Olegovich Krasulin, was killed in a work-related accident. I now live with my fatherless great-grandson, 12, who grew up without a mother. Judging by the obituary, my

grandson was well respected at the 'Gidropribor' central research institute: 'His honesty and high professionalism will forever live in our memory.' But the memory turned out to be very short. That very rich organization did not spare me any, even minimal, support to raise the child. Who needs us?" (A.V.Krasulina)

"All her life, my mother worked hard for the good of the country, including also in besieged Leningrad. She is 85 years old, and her pension is R70. I help her as much as I can, but what can I do? I am a teacher earning R145 and have two kids. I wonder why would the city not let indigent old folks live in their apartments for free? Let us give it a thought: we are young and healthy and hopefully have not lost the last of our shame." (V.P.Fomichenko)

One would think that our leaders were tearing that extremely valuable research data from the hands of sociologists, for it would allow them to immediately begin setting up a comprehensive social assistance program. But no one is doing this.

What is the conclusion?

Candidates for Leningrad Soviet Deputies: The hopes of hundreds of thousands of indigent Leningraders rest with your competence, responsibility and mercy. Let us put the issue of helping the poor on the agenda of the first session of the new soviet!

Ideas for Future Use

An economist friend of mine who had studied in Stockholm and had a first-hand look at Swedish socialism recounted an interesting fact. A society that has built for its members an almost paradigmatic system of social guarantees is leaning toward taking a step backwards. It turns out that so high a level of social security puts some into a parasitic frame of mind and reduces the incentive to work, say sociologists.

Thus far, we have been spared the risk of becoming fed up with affluence. But what an interesting comparison arises from it. Wealthy Swedes are seeing at the other end of the spectrum what we have been demonstrating with our entire long-suffering history: no society can prosper without strong, enduring incentives for hard work.

I say this because sooner or later the next step will have to be taken from any program of assistance to the poor, or any other one providing minimum benefits, toward building a fail-safe program of social security. In essence, it will be a completely new social institution. Here, a leap of consciousness is in order, of the kind that our political being has not seen since the start of perestroika.

It is indeed very difficult to understand that the state—which, we have been told from infancy, provides clothing, shoes, education, employment, food and housing—in reality owes us nothing. Its role is totally different. It must provide an opportunity for everyone to reach his full potential, to build his own prosperity and

thus contribute to the common pot of social welfare and ensure a decent life for those who live at the expense of society. The rest should be a matter of choice for any healthy, fit person—of free choice, I should stress—whether to work and live the way they do abroad, or the way we do here.

In short, we must understand that to be the master of one's own fate is rather different from what until recently official songs and poems were written about. Hence, social security should mean a different thing from what it used to mean. It is not the charity of the state which distributes all goods, but mainly a safety belt everyone saws for himself from the fabric of personal responsibility.

For example, why does a family decide to have a third child without bothering to save the money needed for infant care in advance? Because they do not think it necessary to rely on themselves, and do not even know how to do so. For us, family planning is as much an alien concept as a personal computer in the kitchen. And yet, care for a newborn costs R1,000. This is a useful fact to keep in mind when deciding what to do this year: to become a father or to buy a wall unit.

I once read a statistical reference for Petrograd and Petrograd district, published in 1922. Can you imagine that in the chapter "Population Nutrition Analysis" I found detailed statistics for every week and month of 1921?

The statistical reference for 1928 titled "Labor and Trade Union Movement in Leningrad Oblast" seriously analyzed the cost of living. It provided the methodology for computing a basket of consumer goods worth 10 gold rubles. Then the same basket was computed in private market prices. Then in cooperative prices. It is amazing that we once had all this data: both uncensored statistics and scientific indices of the cost of living.

Why bother talking about consumer culture if we publish no statistical data and comments by specialists, issue no references and offer people no well-researched guidelines for planning their household budgets. Would you believe that only after an official query and with the personal support of N.G. Bespalov, chairman of the State Committee for Statistics, I was allowed last year to see data on how many television sets and kilos of sausage are consumed by Leningraders?

It is not surprising therefore that only 5 percent of those who took part in the sociological survey were able to say anything definite about it. Very few enthusiasts keep a precise tally of their spending. There are even fewer of those who can discuss money freely and without inhibitions. This is not surprising. Lack of money was sanctified and the cult of equalization and asceticism promoted for many generations. People have lost their ability to do something about their own plight. Things that elsewhere in the civilized world form the basis of social security, such as bank loans, leasing, freedom to invest money, ability to change jobs easily and public charity, were declared alien from the class point of view.

Someone may reply that these concepts have been rehabilitated. Yes, the concepts have been rehabilitated, but not the practice.

The system of leasing is not being developed. Charity by enterprises, cooperatives and other organizations is encouraged but feebly and gets almost no leadership from the state. Workers get more and more tied to enterprises by the fact that everything—apartments, cars, summer homes, resort trips, food packages and imported boots—is distributed through them. Personal accounts in the Savings Bank remain effectively the property of the state, and not of the depositor. The credit system is weak: loans are few and strictly limited in amount and few types of goods may be purchased on a layaway plan.

The scene will probably remain in my memory forever. Three women whose fate doubtless deserves both respect and compassion, whose grudge against a society which deprived them of support is justified, three middle-aged, ailing, tired women came to the editorial office to claim their hard-earned right to higher pension benefits. I was struck by their trump card, their best argument:

"This is monstrous. Even for sick children, the government has found money," said one.

"Imagine, for children borne by whores," added another.

These words were indeed immoral, but no more so than the callous and humiliating poverty is.

FUELS

State Gas Concern Board Members Identified

904E0061A Moscow GAZOVAYA

PROMYSHLENNOST in Russian No 1, Jan 90 pp 2-6

[Article: "Composition of the Board of Directors of Gazprom, the State Gas Concern"]

[Text]

Chairman—Chernomyrdin, Viktor Stepanovich

Born in 1938. A Russian. CPSU member since 1961. Graduated from Kuybyshev Polytechnical Institute and the All-Union Correspondence Polytechnical Institute. Candidate of engineering sciences.

Elected a member of the CPSU Central Committee at the 27th Party Congress.

He began his labor career in 1957 as a welder at a plant. Then he served in the Soviet Army. Beginning in 1960 he was a driver, an operator, and chief of an operating installation of the Orsk Oil Refinery imeni V. P. Chkalov.

Beginning in 1967 he was in party work as: instructor, deputy manager, and manager of a section of the Orsk CPSU Gorkom. Beginning in 1973 he was director of the Orenburg Gas Refinery. Beginning in 1978 he was an official in the CPSU Central Committee. Beginning in 1982 he was Deputy USSR Minister of Gas Industry, and since 1983 he has been simultaneously chief of the VPO Tyumengazprom [All-Union Tyumen Gas-Industry Production Association]. From 1985 to August 1989 he was USSR Minister of Gas Industry.

Member of the Board—Vyakhirev, Roman Ivanovich

Born in 1934. A Russian. Member of the CPSU since 1960. Graduated from the Kuybyshev Industrialization Institute imeni V. V. Kuybyshev. Candidate of engineering sciences. He began his labor career in 1956 at oilfield installations of Kuybyshev Oblast: he was an operator, an oil-recovery foreman, chief of a well-completion and sampling section, chief of an oil-recovery section, director of a comprehensive crude preparation plant under construction, and beginning in 1965 was director of a crude-stabilization plant and deputy chief of an oil-and-gas recovery administration. Beginning in 1970, in Orenburg Oblast, he was: chief of the Dedurov gas-field installations administration, director of the Orenburg Gas Recovery Production Administration, and Chief Engineer and Deputy Chief of VPO Orenburggazdobycha [All-Union Orenburg Gas-Recovery Production Association]. Beginning in 1983 he was Deputy USSR Minister of Gas Industry, and simultaneously beginning in 1985 he was chief of VPO Tyumengazprom, and from 1986 to 1989 he was First Deputy USSR Minister of Gas Industry. He is a winner of the USSR State Prize.

He is Deputy Chairman of the concern's board and coordinates production activity, long-range development, and the development of science and technology.

Budarin, Viktor Borisovich

Born in 1935. A Russian. CPSU member since 1962. Graduated from Saratov State University imeni N. G. Chernyshevskiy. Beginning in 1958 he worked in geological-exploration organizations of Krasnoyarskiy Kray and Saratov Oblast as a geological engineer, senior geologist, and chief of an exploration party, and beginning in 1965 he was an instructor and deputy manager of the chemical and gas-industry section of the Saratov CPSU Obkom. Beginning in 1975 he was an official of the CPSU Central Committee. In 1986-1989 he was Deputy USSR Minister of Gas Industry.

He is responsible in the concern for personnel and social-development matters.

Budzulyak, Bogdan Vladimirovich

Born in 1946. A Ukrainian. CPSU member since 1973. Graduated from the Ivano-Frankovsk Oil and Gas Institute. Beginning in 1970, in the Komi ASSR, he was: foreman, chief of the emergency-repair service, chief engineer of a regional administration, beginning in 1978 he was chief of a production section, beginning in 1979 he was a deputy director, and beginning in 1982 he was General Director of the Ukhtatransgaz Production Association. From 1986 to 1989 he has been General Director of Severgazprom [Northern-Region Gas-Industry Production Association].

He is responsible in the concern for production-activity matters.

Gritsenko, Aleksandr Ivanovich

Born in 1934. A Ukrainian. CPSU member since 1961. Graduated from Moscow Petroleum Institute imeni Akademik I. M. Gubkin. Doctor of engineering sciences and professor. Beginning in 1958 worked at Kuban gas-field installations as an operator, engineer and senior engineer. In 1960-1963 he was a graduate student of the Moscow Petrochemical and Gas-Industry Institute imeni Akademik I. M. Gubkin. Beginning in 1963 he was senior scientific associate and group leader of VNIlgaz [All-Union Scientific-Research Institute for Natural Gas]. Beginning in 1966 he was director of a laboratory, lecturer, faculty dean, and chair professor of the Moscow Petrochemical and Gas-Industry Institute imeni Akademik I. M. Gubkin. Beginning in 1977 he was director of VNIlgaz, and since 1986 has been General Director of the NPO [Science and Production Association] Soyuz-gaztekhnologiya. Winner of the USSR State Prize.

He is responsible in the concern for organizing scientific research.

Grunvald, Vladimir Robertovich

Born in 1938. A German. CPSU member since 1961. Graduated from the All-Union Correspondence Polytechnical Institute and the Azerbaijan Oil and Chemical Institute imeni M. Azizbekov (by correspondence). Candidate of engineering sciences. He started his labor career in 1956 as a lathe operator at a plant. In 1957-1960 he served in the ranks of the Soviet Army. Beginning in 1960 he worked as a mechanic and operator of the Orsk Oil Refinery imeni V. P. Chkalov, and beginning in 1965 he was a party worker, chief of an installation, deputy chief and chief of a department of the Orsk Synthetic Alcohol Plant. Beginning in 1974 he was deputy chief engineer and senior controller, chief of a production section, and beginning in 1979 chief engineer of the Orenburg Gas Refinery (which has been re-formed as PO Orenburggazzavod [Orenburg Gas-Refinery Production Association]). Since 1983 he has been laboratory manager and Chief Director for Scientific Work of VolgoUralNIPIgaz [Volga-Ural Scientific-Research and Design Institute for the Gas Industry].

In 1989 he was assigned to the concern's board and is responsible for organizing development of the capacity of new gas-chemicals complexes.

Guslistiy, Nikolay Nikiforovich

Born in 1933. A Ukrainian. CPSU member since 1970. Graduated from the Sverdlovsk Institute of the National Economy. He started his labor career in 1950 as a mechanic in a building-materials trust. In 1952-1956 he served in the ranks of the Soviet Army. Beginning in 1956 he worked in Tyumen Oblast as manager of an oblast consumers' union warehouse, chief of a supply section and deputy director of a city milk plant, manager of the URS [workers' supply administration] of Glavtyumenneftegaz [Main Administration for Oil and Gas Industry in Tyumen Oblast], and beginning in 1973 he was chief of the URS of the VPO Tyumengazprom [All-Union Production Association of the Tyumen Gas Industry]. Since 1987 he has been chief of Glavurselkhozgaz [Main Administration of Workers' Supply Administrations and Farms of the Gas Industry] of USSR Mingaz and at present is in charge of Ursselkhozgaz.

He is responsible in the concern for trade, social-dining and agricultural matters.

Derezhov, Stepan Romanovich

Born in 1932. A Mordvinian. CPSU member since 1965. Graduated from Moscow Petroleum Institute imeni Akademik I. M. Gubkin. Candidate of engineering sciences. He began his labor activity in 1958 in the Moscow Trunk Gas-Pipeline Administration as shift chief, senior engineer and chief of the Moscow Interrayon Electrical Heat-Engineering Laboratory. Beginning in 1963 he was a production engineer and section chief of the Engineering Administration and from 1977 through 1989 Deputy USSR Minister of the Gas Industry. Winner of the USSR State Prize.

He is responsible in the concern for developing foreign economic ties.

Pochinkin, Valentin Vladimirovich

Born in 1936. A Russian. CPSU member since 1976. Graduated from Groznyy Petroleum Institute (by correspondence). He started his labor career in 1962 at construction of the Bratsk GES. Beginning in 1967 he was an engineer and deputy chief of a motorized column of the Checheno-Ingush Motor-Transport Administration, and beginning in 1970 was chief of the installing and repair administration No 3 of Glavgazpererabotka [Main Administration for Gas Refining]. Beginning in 1973 he was deputy director for capital construction of the Orenburg Gas Refinery. Beginning in 1979 he was deputy chief of Glavmorneftegaz [Main Administration for Offshore Oil and Gas Production], and from 1988 through 1989 he has been chief of the Main Administration for Supply and Equipment Provisioning and collegium member of USSR Mingazprom.

He is responsible in the concern for matters of supplying materials and equipment and with equipment outfitting.

Rafikov, Leonard Gulyazovich

Born in 1940. A Tatar. CPSU member since 1967. Graduated from Moscow Petrochemical and Gas-Industry Institute imeni Akademik I. M. Gubkin. Beginning in 1958 he was an operator, senior operator and controller of the Minibayevo-Gorkiy gas pipeline, an engineer of the engineering section of the Almet'yevsk Division of Stroybank. Beginning in 1964 he was an operator, senior controller, senior engineer and chief of the pipeline compressor department of the Leningrad Trunk Gas Pipeline Administration. Beginning in 1967 he was chief engineer of the board of directors, chief of an industrial site, and chief mechanical engineer of the North-Ural UMG [trunk gas-pipeline administration], and beginning in 1971 he was chief of the production section of the PO Tyumentransgaz. In 1975-1979 he was chief engineer of the Volgogradtransgaz Production Association, and beginning in 1979 he was General Director of the Surguttransgaz Production Association. In 1989 he was Deputy USSR Minister of Gas Industry and chief of Glavtyumengazprom.

He is responsible in the concern for developing West Siberia's resources and for power-engineering matters.

Rezunenko, Vladimir Ivanovich

Born in 1935. A Russian. CPSU member since 1964. Graduated from Lvov Polytechnical Institute and USSR Academy of the National Economy. Beginning in 1958 he worked at oil and gas fields of the Ukraine as operator, foreman, senior engineer, section chief and chief engineer of a gas-field installations administration. Beginning in 1965 he was chief of the Nadvornyansk and, beginning in 1969, of the Poltava gas-field installation administrations. Beginning in 1974 he was deputy chief and in 1985 chief engineer and deputy chief of

VPO Ukgazprom [All-Union Production Association of the Ukrainian Gas Industry]. From 1988 through 1989 he has been chief of the Main Administration for Geology and Development and Recovery of Gas and collegium member of USSR Mingazprom.

He is responsible in the concern for matters of long-range development.

Sedykh, Aleksandr Dmitriyevich

Born in 1933. A Russian. CPSU member since 1961. Graduated from Moscow Petroleum Institute imeni Akademik I. M. Gubkin. He has been in the gas industry since 1956 as operator, senior engineer, chief of a production-equipment section, chief engineer of a regional administration. Beginning in 1961 he was chief of the Voronezh and, beginning in 1964, of the Moscow Suburban Trunk Gas-Pipeline Administrations. Beginning in 1965 he was chief engineer of the Moscow Trunk Gas Pipeline Administration. From 1973 to 1989 he was chief of the Engineering Administration (since 1988 chief of the Main Scientific and Engineering Administration) and collegium member of USSR Mingazprom.

He is responsible in the concern for scientific and engineering progress matters and the ecology.

Selikhova, Yevgeniya Konstantinovna

Born 1931. A Russian. CPSU member since 1955. Graduated from Moscow Financial Institute. Beginning in 1953 she was an engineer and senior engineer of Giproneftemash [State Institute for the Design of Oil Machinery] in Moscow. Beginning in 1962 she was a consultant of the State Committee of the USSR Council of Ministers for the Fuel Industry and, beginning in 1964, chief specialist of the State Committee for the Oil-Recovery Industry under USSR Gosplan. In 1965-1972 she was deputy chief and chief of a section of the Ministry of Petroleum Industry. Beginning in 1972 she was deputy chief of the Economic-Planning Administration of Mingazprom, beginning in 1981 was chief of this administration, collegium member of USSR Ministry of Gas Industry, and from 1988 through 1989 chief of the ministry's Economic Administration.

She is responsible in the concern for matters of economics and finances.

Sheremet, Vyacheslav Vasilyevich

Born in 1941. A Ukrainian. CPSU member since 1969. Graduated from All-Union Correspondence Polytechnical Institute and the Academy of Social Sciences under the CPSU Central Committee. He began his labor career in 1960 as an operator's helper at the Orsk Oil Refinery, then worked there as an engineer in heat engineering, senior engineer, section chief, and deputy director. Beginning in 1973 he was a director of the board of directors of gas refineries under construction and a director of the board of directors for the building of facilities of the Orenburg gas-condensate field. In 1977-1979 he was manager of the oil, gas and chemical

industry section of the Orenburg CPSU Obkom. Beginning in 1981 he was manager of the industrial section of the Orenburg CPSU Obkom, and beginning in 1982 he was an official of the CPSU Central Committee.

He is responsible in the concern for matters of capital construction, contracting activity, transportation, and the organization of machinebuilding.

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Gas Industry Development, Performance Examined

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[Report of V.S. Chernomyrdin, Chairman of the Board of the state concern Gazprom: "A New Stage in Developing the Gas Industry"; first paragraph is source introduction]

[Text] Report of the Chairman of the board of the state concern Gazprom, V.S. Chernomyrdin, at a meeting of the council, 10 October 1989 (published with abridgements).

Analysis of the State of the Industry's Economy

In describing the country's economic situation and the facts of a reduction in production of the most important types of output of the fuel-extracting industries, the reportmaker named a number of basic factors that caused the pace of industrial development to slow.

They include: a violation of direct cooperative ties that had been firmly established for long years, an increase in interruptions in the production and delivery of various types of output, bursts of group egoism that led to an increase in revenue and wages that were not adequate for the product produced, a drop in labor and performance discipline, and a reduction in responsibility for contractual and plan commitments.

The difficult situation in the country cannot help but be reflected in the gas industry's operation. The growing shortage in provisioning of the branch with operating equipment and materials and a reduction in capital-investment ceilings have sharply aggravated the situation in regard to the introduction of production capacity at the main facilities.

Introduction of capacity has been delayed for 1-2 years at the Vamburg field and the Orenburg gas complex, including facilities of the Karachaganak and Astrakhan fields. The deadlines for putting the cycling process into operation at the Kotelev and Timofeyev fields were not met, and construction of the DKS [booster compressor station] at Urengoy and assimilation of the Sovetabad field are being hindered.

There is also a difficult situation with gas transport. During 1988, the introduction of KS's [compressor stations] fell short of the plan by 22. In 1989 the introduction of 12 KS's was disrupted, including those on the Yamburg-Tula (strand No 1) and the Makat-North Caucasus gas pipelines, which are extremely important for gas supply.

Fulfillment of the plan for gas recovery has experienced great stress, and condensate recovery was expected to be 3.5 million tons lower than the state order. Because of this, goals for the production of sulfur, helium, liquefied gas, gasoline and diesel fuel were not met. Industrial output fell short by almost 200 million rubles, and the prime production costs planned were exceeded.

All the problems and difficulties that arose in production, capital investment and the provisioning of supplies and equipment have been manifested in the results of economic and financial activity. Stress over wages has been created in a number of associations.

The Astrakhan Gas-Industry Production Association has proved to be in an especially difficult situation. Instead of the 6.4-million ruble profit planned for January-August 1989, there was a loss of 60.7 million rubles. As a result, the association's finances are in a critical state. Shortages of funds for 1989 will be at least 160 million rubles. Given these economic indicators, it will be practically impossible to operate in the economic self-sufficiency mode. It is necessary to take the most urgent measures and to correct the situation. Otherwise, the losses of this association will have to be covered through the funds of other associations.

On the one hand, the industry is experiencing an increase in profit and the goals for payments into the budget, the turnover tax, and other payments are being overfulfilled. The associations, enterprises and organizations now have more than 1.0 billion rubles of free funds at their disposal.

On the other hand, as of 1 September 1989, arrears to suppliers and contractors plus arrears on bank loans reached 550 million rubles, or they more than tripled over the same date of last year. During the first eight months of 1989, the goal for financial results was not met by 19 enterprises, or 6.5 percent of the total number, by the sum of 140 million rubles. The number of enterprises that were not coping with the plan for profit doubled over the same period of last year, and the total of their shortfall of profit more than quadrupled.

An especially difficult financial situation prevailed in capital construction, where nonpayments to Minneftegazstroy [Ministry of Construction of Petroleum and Gas Industry Enterprises] alone exceeded 500 million rubles.

Priorities and Prerequisites for Developing the Branch

Such are the initial conditions on the basis of which the State Gas Concern will begin its activity. In developing

the draft plan for 1990 under these conditions, the main high-priority directions of activity were determined, priorities were chosen, and all existing resources were concentrated on them.

During preparation of the plan, the tasks of speeding up development of the most important fields, improving operation of the gas-chemicals complexes, and developing and increasing the reliability of the gas-transport system were faced. As before, among the most important tasks were priority development of facilities for the social sphere and improving the gas workers' working and living conditions.

The concern's plan indicators for 1990 were computed on the basis of the ceilings on capital investment and construction and installing work that were allocated and the status of construction of the main facilities at the Astrakhan and Orenburg gas complexes and the Yamburg field, which determine the branch's production program. The necessity for priority erection of nature-conservation facilities was considered, with a view to providing for a normal ecological situation in the shortest time possible.

Based on this, gas recovery in the amount of 773.8 billion m^3 is planned, and the increase this year is expected to be 46.7 billion m^3 . Condensate recovery is being planned for the 22.4 million-ton mark, which is almost 5 million tons below the five-year plan. Correspondingly, the production of sulfur, helium, liquefied gas, automotive gasoline, and diesel fuel is expected to be below the plan.

It is planned that the main increase in gas recovery will be at the Yamburg field (38 billion m^3), which should compensate for the reduction of gas recovery in many regions and will provide for the intended increase for Gazprom as a whole.

A reduction in condensate recovery below five-year plan tasks is occurring in Astrakhangazprom, Orenburggazprom, Ukgazprom and Severgazprom [Astrakhan, Orenburg, Ukrainian and Northern Gas Production Associations].

At the same time, in order to support the planned amounts of gas and condensate recovery and also the processing thereof, timely introduction is required of the UKPG-1V [Integrated Gas-Treatment Installation No 1V], UKPG-3V and UKPG-7 at the Yamburg field, the UKPG-2 and UKPG-3 and the condensate pipeline to the OGPZ [Orenburg Gas-Treatment Plant] at the Karachaganak field, the UKPG-9 at Sovetabad, and cycling-process facilities at the Kotelev and Timofeyev fields, the startup complex of line No 4 of the Orenburg GPZ [gas refinery], and the block for scrubbing low-sulfur gas at the Mubarek plant. Rebuilding of the first line of the Astrakhan complex must be completed and the second line there must be introduced no later than the second half of the year.

The plan for drilling work has been formulated, based on the capital- investment ceilings applicable to drilling. The ceilings will not exceed 900 million rubles. For this amount, 1,029 holes are to be built and about 2.2 million meters of rock are to be drilled through.

Practically all drilling organizations are to restrict the existing capacity and will be engaged in finding reserves for tightening up design solutions and for reducing the budget-estimated cost of building wells.

According to the concern's calculations, drilling brigades with a total manpower of 4,000-5,000 people must be cut out in 1990. Of course, it is not easy to do this, but it is necessary. The plan for the first eight months of the current year is being overfulfilled by 120 million rubles. First, it is not a production necessity, and second, it strongly worsens the industry's financial conditions. Therefore, extraordinary measures are needed if we really want to convert to full economic self-sufficiency and self-financing. Of course, this work must be executed gradually in the collectives, jobs must be found for the workers, and training and retraining must be conducted.

The gas-transport plan for 1990 has been formulated to take into account the throughput of the gas-transport systems, and it provides for delivery of the planned amounts of gas to customers of the economy in all parts of the country and the sale thereof for export in accordance with the amounts agreed to in contracts.

The most important task of the year is to increase effectiveness and reliability of the existing gas-transport equipment. For this purpose, the amount of financing will be increased through centralized funds for the concern, which is computed also on the basis of measures for raising the economy of operation of units, an increase in the capacity of DR-59L ship engines to 12.5 MW, refining the GPA-25/76, GTN-16 and GPA-Ts-16 units, the development and organization of the serial manufacture of spare parts for imported GPA's [gas-processing units], and so on.

The problem of providing for the efficiency of the GTN-25 units, further deliveries of which we have rejected and which the KS's [compressor stations] possess, faces us especially severely.

Gas-transport associations and the concern as a whole have a special place in their plans for increasing pipeline-reliability work. Additionally included in the plan is the introduction of mandatory internal defectoscopy of gas pipelines 1220-1420-mm in diameter, during both introduction into operation and while in operation.

One of the most important areas of our activity is that of ensuring the reliability of the gas supply by boosted accumulation and introduction into operation of idle PKhG [underground gas reservoir] capacity. The formulation of programs with construction organizations must be prepared in such a way that all the capacity which supports the gathering of gas is introduced no later than the second and third quarters.

Economic Opportunities and 1990 Plan Indicators

Based on the production program, commodity output volume in comparable prices should be 8.93 billion rubles in 1990, and the rate of output growth should reach 106.7 percent. In so doing, five-year plan tasks are not being supported: the rate of increase in product over 1985 will be 137.1 percent under a five-year plan goal of 146.9 percent, that is, 9.8 percent lower.

Labor productivity will grow by 1.9 percent over 1989 and by 29.4 percent over 1985, which also is below five-year goals.

Because of the reduction of gas and condensate recovery relative to the five-year plan, the wage as a whole for the concern has been reduced by 12 million rubles. In so doing, the wages for the Astrakhangazprom and Orenburggazprom associations and some other associations should be reduced in accordance with the five-year standards.

Because of the reduction in capital investment and in facilities introduced, it is possible to use freed wage funds for partial compensation for the wage reduction in the indicated associations.

The task for profit for the State Gas Concern is being set at 6.6828 billion rubles. For associations where production during 1990 corresponds to the five-year plan, it is proposed to establish the goal for profit at the five-year plan level. The profit goal must be reduced for associations where, for objective causes, the production volume called for by the five-year plan are not achieved. Astrakhangazprom, Orenburggazprom, Urengoygazdobycha [Urengoy Gas-Recovery Production Association] and Severgazprom are in such a position. It is proposed to increase the profit plan for gas-transport associations where, because of the reduction in capital investment, operating expenditures have not reached the five-year level. Because of the increase in the amounts of production, the profit plan for Soyuzgazmashapparat and other machinebuilding associations has been increased.

The distribution of planned profit has been guided by the following principles: the amounts of economic incentive funds called for by the five-year plan have been retained for all associations in which, regardless of the causes thereof, production indicators have worsened. The amounts of cubic-meter rates have been increased for these enterprises. For these purposes, reserves have been used that have been formed in past years during the overfulfillment of plans for recovering gas and condensate. For associations and enterprises which have adopted the five-year plan, the economic incentive fund has been established in amounts called for by the five-year plan. For machinebuilding and other enterprises, where profit is higher than the five-year plan's, the funds have been increased in accordance with five-year plan norms.

Because of central payments into the budget, the concern has recomputed the economic standards for distributing

profit among enterprises that have been freed of such payments. For this group of associations, deductions to the concern have been determined by the addition of the payment for fixed production capital in the amount of 3.405 billion rubles, deductions into the budget from estimated profit (1.437 billion rubles) and branchwide expenditures from profit (427 million rubles).

Payments for the use of capital has been adopted basically at the five-year plan level, and for some associations it has been reduced by 170 million rubles because of reduction in the introduction of new facilities. Deductions into the budget from computed profit has been increased correspondingly.

Payments into the budget for the concern as a whole is 72.3 percent of planned profit. Based upon this, standards for deductions to the concern for supporting settlements with the budget have been set for the associations.

It should be specially emphasized that, in order that we may, in 1990, given the reduction in production volume, preserve at a number of enterprises the wage and amounts of economic incentive funds, we are compelled to distribute all the funds allocated for the year. The amounts of our reserves will depend upon what residues we will have at the start of 1990. In our opinion, this is a forced but necessary measures that willenable tensions in the labor collectives to be forestalled.

The draft of the concern's 1990 financial plan has been coordinated with USSR Minfin [Ministry of Finance] as to income and receipts of funds in the amount of 17.6 billion rubles, and as to expenditures and deductions of 11.5 billion rubles. The excess of income over expenditures was in the amount of 6.1 billion rubles, the main portion of which is being sent into the budget, it being the case that, because of the tightness of the state budget, payments of funds are called for, over and above the five-year plan, from the sale of fixed capital of enterprises whose plans envision losses and from free amortization. In 1990 the mutual relationships between the Union and local budgets will be radically changed. Beginning next year the main payments from profit—payment for the use of production funds and deductions from calculated profit, altogether of about 5 billion rubles, will be executed in a centralized procedure. In this case, deductions into the local budget, except for payment for labor resources, will not be made.

Budget appropriations for centralized capital investment are being reduced by 3.2 billion rubles versus 1989, as a measure aimed at improving the health of the national economy. Under these circumstances, maximal mobilization of in-house monetary resources is necessary in order to provide for financing of the centralized capital investment.

The creation of a commercial bank is an urgent direction for restructuring the industry's financial system. Its basis should be the temporarily freed monetary resources that are at the disposal of enterprises. In two years alone of

operation under full economic self-sufficiency and self-financing, residues of funds, based on their settlement accounts have risen two-fold and are more than 1.0 billion rubles. A substantial portion of these funds can be allocated with advantage to owners on a commercial basis through the industry's bank to other enterprises and organizations. This refers to the involvement in circulation of free monetary resources on a mutually advantageous basis.

With the participation of USSR Gosplan, ceilings on centralized and noncentralized capital investment have been reduced considerably, being 5.2 billion rubles, including 2.6 billion rubles for SMR [construction and installing operations]. Production construction is allotted 4.6 billion rubles, nonproduction construction 652 million rubles.

It is planned to put into operation in 1990, within the assigned ceilings, 8,346 km of gas pipelines and outlets from them, 39 compressor stations, capacity for processing 13 billion m³ of gas per year, billions of cubic meters of active underground gas-storage capacity, nine UKPG's, and so on.

Social and Ecological Emphases of the Program

The social sphere is to be developed further in 1990. It is planned to introduce 1.3 million m² of total area of apartment houses, exceeding by 52,000 m² the five-year plan.

It is planned to introduce general-education schools for 13,000 pupils, a polyclinic for 2,000 patients per shift, and cultural facilities above the five-year plan task; and it is planned to build (on the five-year plan level) hospitals (for 1,040 beds). It is planned to put into operation institutions for 5,400 preschoolers in accordance with contracts concluded; this is below the five-year plan task by facilities for 625 children.

At the same time, in considering the reduction in the amounts of capital construction carried out by in-house construction organizations, they have had to reduce the previously contracted capacity for introducing housing and kindergartens.

Government goals for introducing facilities of the social sphere into operation in West Siberia are not being carried out. At the same time, Tyumengazprom associations anticipate 50.7 million rubles worth of uncompleted construction above the standard amount at the start of 1990. The associations must search for material resources, and, where there are in-house financial resources, the plans call for additional introduction of housing and facilities for social, cultural and personal-services under direct contracts.

The state order to the Gazprom concern for producing consumer goods was set in the amount of 323.8 million rubles, 1.3-fold that of the 1989 plan. During the year being planned, the share for enterprises and organizing

that produce consumer goods, not counting the Soyuzgazmashapparatus association, will grow to 21.6 percent.

In 1990 the amount of gas equipment that is manufactured by the industry's enterprises will increase from 156 to 185 million rubles' worth. The production of gas-tank systems for personal cars also should grow, to 100,000 sets. However, while the output of the systems themselves is proceeding successfully, the installation and servicing thereof clearly lags. Association and enterprise supervisors must review the set of goals on this problem and specify in the plans all that is necessary for meeting them.

An important social task that the branch is solving is the replacement of crude-based motor fuel by compressed gas. In 1990 the goal set called for the replacement of 2.45 million tons of oil-based motor fuel. Realization of this task can be ensured through further development of the AGNKS [automobile gas-filling compressor station] network.

In order to increase the AGNKS's profitability, the associations must call for the introduction at existing stations of combined filling with compressed and liquefied gas. A field-test AGNKS has been operating in the Kubangazprom production association since June 1989. Associations and organizations also must be included more actively in the job of realizing the program for converting the industry's motor transport to the use of gas motor fuel that was approved in April 1989.

Realization of the program for creating new types of equipment for the drilling, recovery, treatment and utilization of gas is assigned an important role in next year's plan of operation.

It is planned to develop in 1990 operations associated with conversion of the defense branches. The most important of them include the creation of an automated system for controlling the Yamal-West gas pipeline; introduction at the branch's facilities of sensors, monitoring equipment, and systems for technical diagnostics based on satellite systems; and the creation and delivery of pump and compressor pipes made from composition materials and of casing for geothermal wells, tanks for compressed gas, large-dimension tanks for storage and transporting of aggressive chemical reactants and inhibitors, and other articles.

Under the new terms for the concern's operation, and also taking into account the shortage of capital investment, it is necessary to give thought to the option of developing these operations through a portion of production associations funds, along with centralized financing.

With conversion to the new management mechanism, the system of centralized control for introducing the achievements of scientific and engineering progress has turned out to be seriously weakened.

Experience shows that it is desirable to restore the centralized planning of new equipment. Based on the

associations' recommendations, a draft of a branch listing of measures for introducing new equipment and advanced technology for 1990 has been prepared.

The plan for 1990 contemplated a large amount of work to improve the ecological situation in areas where the industry's enterprises work. The allocation for protecting and making rational use of water resources, land and the earth beneath it, and mineral resources, and for protecting the air from pollution is 132 million rubles. The Orenburggazprom and Astrakhangazprom associations plan to introduce water-recycling systems with capacities of, respectively, 96,400 and 45,000 m³ per day. And the Astrakhangazprom and Ukgazprom associations, the Tyumengazprom GPU [Gas-Field Administration], and others plan to erect sewerage systems with a capacity of 26,000 m³ per day.

The 1990 plan will be realized during a severe shortage of supply and equipment resources. Deliveries to the concern will fall short 20-30 percent of the basic types thereof in comparison with the requirement needed for carrying out the prescribed production program and for resolving social tasks. Because of this, associations and enterprises must sharply invigorate the work in USSR Gosstab's regional organs and establish direct managerial ties with enterprises.

As always, the plan calls for a reduction in the norms for consuming materials, fuel and power that corresponds to five-year plan tasks. However, it is necessary in principle to change the approach to this business: these goals can be only a reference point, and, considering the national economy's complicated situation, we must save a maximum of resources and not be satisfied just with reaching the goal set.

The norms for consuming materials must be stiffened as soon as possible, secondary raw materials must be used more completely, and when plans are made for producing consumer goods, the use of office waste, marketing materials, and local materials will be called for.

Another source for covering the shortage is the enlistment in our resources of above-the-norm reserves, of which we have a large amount, and they have a tendency to increase. While on 1 January 1989 the above-standard surpluses of equipment was 382 million rubles' worth, by the middle of the year they had increased to 526 million rubles' worth. For example, in Tyumengazprom these reserves grew from 140 million rubles' to 186 million rubles' worth, and in Astrakhangazprom from 80 million to 166 million rubles' worth.¹

In conclusion, the chairman of the concern's council emphasized the special importance and complexity of the new year as the first year of operation of the economically self-sufficient concern.

During this period the enterprises' responsibility will increase not only for their own results but also for the indicators of the operation of the whole branch. One must not count on successful operation of the concern

without change of the existing attitude toward centralized decisions and resources. One must deeply understand and explain to the labor collectives that, given our concern's circumstances, the changes are aimed exclusively at increasing the enterprises' operating effectiveness and improving working and living conditions for the workers of the associations, enterprises and organizations.

One must not lose sight of the fact that difficulties with supplies and equipment, capital investment and financial resources will increase.

We should consider all this completely when implementing 1990 plans. It is necessary primarily to provide for the timely introduction of capacity and stable operation during this year's winter.

Collectives must be mobilized, using their growing activeness, in order to find and use in their plans existing reserves for improving the utilization of existing capacity, reducing material and power expenditures, improving administrative consumption, and reduce the reserves of realizable commodities and materials. Decisive steps to introduce the new forms of management and to increase the effectiveness of economic self-sufficiency principles are needed. Not through formalistic expansion of the sphere of their use, but by creating realistic conditions for operating under economic self-sufficiency. But also, finally, it should be clear to everyone that any plan, even the most successful one, cannot be realized if basic changes in work organizations and support for the corresponding industrial and performance discipline do not come about.

In the Concern's Administration

Formation of the concern's worker staff is a most important organizational question, on the solution of which precision in the administration's activity depends. In its report to the administration, the Section for Personnel and Social Development of the Concern's staff reported that as of 5 December 1989, of the manpower manning (84.8 percent of that prescribed), 70 percent of the specialists have served in the gas industry more than 10 years, 70 percent are less than 50 years of age, and 37 percent are CPSU members.

The administration also examined progress in the construction of facilities for the industry's social sphere. In January-November, the plan for introducing housing was met by only 57.5 percent.

There is a threatening situation in regard to completing the construction of kindergartens for 855 children, schools for 2,352 pupils, and hospitals for 75 patients. The administration has charged association and enterprise supervisors personally with examining the state of affairs for each facility, with taking exhaustive measures for completing operations by the prescribed deadline, and with solving problems of involving future residents in the finishing work on the apartment houses being put into use.

Footnote:

1. The figures cited in the report were refined later.

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Measures To Aid Unemployed Planned

904F0121A Moscow TRUD in Russian 29 Mar 90 p 2

[Interview with V. Kolosov, chief of the Labor Resources and Employment Administration of the USSR State Committee for Labor and Social Problems, by S. Yakovlev: "What We Know About Unemployment"]

[Text] Unemployment is no longer a trump card in the hands of counter-propaganda, but a reality with which we must deal.

According to preliminary estimates of some economists, 50 million people will be involved in the redistribution of the work force before the year 2000. Many of them will remain outside the gates of enterprises for a lesser or greater period of time. Who will look after them? After all, it is necessary to avoid or reduce to a minimum forced unemployment, which we "put to an end" back in 1931, and at the same time eliminate from our life unprofitable over-employment, in which we take so much pride. Our correspondent talks about this with V. Kolosov, chief of the Labor Resources and Employment Administration of the USSR State Committee for Labor and Social Problems [Goskomtrud].

[Kolosov] It is customary for us to include among the unemployed not only the directly unemployed but also those who are on maternity leave, raising a child at home, and also those who are not working because of a prolonged illness. Annually this number is 6-7 million according to various sources. It is not clear just how many truly unemployed people we have. It is known only that their number includes everyone who was dismissed as a result of structural changes (some or other vocation was no longer needed), fired, or does not want to work in another sector. In addition, it includes parasites and bums... What can be done with this mass of people?

[Yakovlev] Just who is to look after them?

[Kolosov] In large oblasts, 53 career-guidance centers have been set up. They are supplemented by 2,000 cost-accounting employment bureaus that operate on a contract basis with enterprises and also 903 trade points that are oriented exclusively on young people. Anyone who has dealt with them even once knows that they "play at one hoop": enterprises which most often are monopolists in the region dictate how many workers they need and at what "prices." It is no secret that many plants and factories have outdated jobs that few people want (low-paying, heavy physical labor, air pollution, and so forth). Naturally, the choice is limited with such a system, and the majority finally go away with nothing. In short, such services are not very effective for the population of a given territory.

In such conditions it is impossible to comprehensively analyze and forecast the state of unemployment and develop programs for insufficiently socially protected population groups who have great problems finding employment. They are primarily school graduates,

women with large families, elderly workers, and those, excuse me for using the special term, who suffer from low territorial mobility.

[Yakovlev] Just what is the economic loss from inefficient use of labor resources?

[Kolosov] It is difficult to estimate, for no one analyzes how much we have lost or are losing from the fact that we have millions of unemployed and a great number of over-employed (this involves using too much manpower). The most important thing is that no one is responsible for the state of employment in the city, oblast, or republic. All industrially developed countries have special services that deal with these problems. We need to create a nationwide employment service in our country, too, but to do this, we need legal and economic bases.

The USSR Goskomtrud, jointly with the USSR Supreme Soviet Commission for Questions of Labor, Prices, and Social Policy, prepared draft legislation on employment in the USSR and a draft regulation on a financial fund and employment service which, in particular, provide for active measures to prevent unemployment. Beginning with the 13th Five-Year Plan, employment programs will be drawn up as a part of the 5-year and annual plans of social and economic development. The main concern for studying the demography and forecasting the economic situation in the localities falls on the city employment bureaus. They, with the involvement of enterprises and trade unions, will develop employment programs to be financed in part by the local budget.

[Yakovlev] What can be done with those who are already unemployed?

[Kolosov] The lowest level of employment is in Central Asia and Transcaucasia (70-80 percent of the population able to work). They have already developed their own republic programs. They provide for creating branches of enterprises, developing small forms of production and contract migration (working under contract), increasing the shift system, and introducing public works. But this is not Communist "subbotnik," but organized and skilled repair of roads, hospitals, and schools. For example, asphalt is purchased at the expense of the local budget, and the labor is paid from the state employment fund.

[Yakovlev] But what if a city cannot cope with unemployment or does not have the funds?

[Kolosov] It can join oblast, republic, and union employment programs. By the way, in the West in extreme cases they take special measures, up to and including suspending layoffs of workers for 6-12 months and sending them for retraining to gain an additional specialty at the expense of the state.

[Yakovlev] What are we to do with those who, despite all the measures, still remain without work?

[Kolosov] They will be given unemployment benefits. The specific size of these benefits and the procedure for payment must be determined by the USSR people's deputies.

[Yakovlev] What do you think about the possibility of creating a labor exchange in our country?

[Kolosov] Even the West does not have a classic labor exchange. There, an employment service, which we want to create here, deals with the unemployed.

[Yakovlev] However, won't all this require considerable money?

[Kolosov] As I already stated, a draft bill on a state employment fund will be submitted to the USSR people's deputies for consideration. Where will we get the funds for it? As you know, factories and plants now pay each year to the republic budget 300 rubles for a worker and 600 for engineering and technical personnel. Why not direct part of this money to the employment fund?

And another thing: an enterprise that has dismissed a person bears no further responsibility for his fate. Is this really fair? Obviously, there should be some kind of solidarity of enterprise collectives in the form of voluntary contributions to the employment fund. Finally, why not switch to a system of voluntary social insurance (for example, a worker voluntarily contributes money in case of unemployment and so forth)?

If a worker is laid off, such insurance would initially maintain his previous wages. And contributions for insurance would supplement the employment fund.

Goskomtrud Chairman Views Unemployment, Wage Reform

904F0090A Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 1 (187), 1990 pp 33-46

[Interview with V.I. Shcherbakov, chairman of the USSR State Committee for Labor and Social Problems, by Yu.P. Voronov, candidate of economic sciences and deputy chief editor of EKO: "The Myth of the Final Result"]

[Text]

[Voronov] Esteemed Vladimir Ivanovich, previously there were labor inspectorates in the system of Goskomtrud [State Committee for Labor]. They made sure, in particular, that wages were paid for labor and not for staying in harmful conditions of production. In your opinion, does it make sense to return to the problem of the restoration of labor inspectorates?

[Shcherbakov] The question actually touches on several interrelated problems. The labor inspectorates in the form in which they existed previously are now an anachronism. Then there was a system for the centralized

management of labor and the inspectorates fit into it wonderfully. They were an element of the screen that sifted out the money on its way to the purse of the worker so that only those rubles reached him that absolutely had to be paid.

The main task of the inspectorates and of other elements of the system for the management of labor was not to allow payments that could be avoided. It was thought that it is possible to force a person to work through the campaign for discipline and other means and that it is not at all necessary to stimulate work through wages.

[Voronov] And in so doing, it is necessary to take care that not too much is paid.

[Shcherbakov] The main emphasis was on the reproduction functions rather than the stimulating functions of wages. A person was paid just enough so that he could generally live normally. Today, despite the overall importance of the reproduction function of the remuneration of labor, its stimulating role is also increasing rapidly. Under the conditions of the law-governed state, economic independence of enterprises and a market economy, it is impossible to force a person to work and to perform quality labor. He can only be urged to do so, including through his striving to earn a lot. The person must strive for a high wage and this striving needs to be satisfied.

Under such conditions, it is not reasonable to maintain an entire staff of people who would observe the correctness of the division of earned money. In the final analysis, only earned money is divided.

How was it before? You receive a plan and a wage fund is established for this plan. The plan could be fulfilled, underfulfilled or overfulfilled; this did not have any particular significance for the previously determined wage fund. The basic aim of the work of the system of Goskomtrud and, in particular, of the inspectorates was not to let this money simply get away. Producers, of course, find loopholes and roundabout ways, the inspectorates tried to catch them, and everyone did his own thing.

[Voronov] Something similar is needed now.

[Shcherbakov] But not as the basic task. It is another matter that the inspectorates also had functions that are current even today. The control over the observance of labor legislation, above all in the area of labor protection, defense of the individual in production and against excessive exploitation as well as against the voluntarism of the authorities, etc. Under contemporary conditions, it is necessary to find ways to carry out these functions. It may be that this will not be the agencies or organizations of Goskomtrud but something else.

[Voronov] Apparently there must be some mechanism or some system of labor protection?

[Shcherbakov] This is now an extremely acute question. An analysis shows that with the transition to full cost

accounting many enterprises are dramatically reducing expenditures for labor protection and the prevention of accidents and injuries. Expenditures for the improvement of working conditions are being reduced practically everywhere. Many prefer to pay to remain in harmful and dangerous conditions rather than to improve them.

We are ruining the health of the nation. From a strategic point of view, it is simply intolerable to pursue a policy of paying for the harm done to health. It is possible that in a future more civilized society there will be tighter self-control and more concern about our own health. But now the striving for high wages exceeds the desire to improve working conditions. Here everyone—the administration and the workers—come to the same conclusion. Indeed, how tempting it is, instead of worries about new technologies, air vents and air conditioners, to say: "There you are, fellows, an increase of 24 percent for harmful working conditions. Be satisfied, for it is the best we can do." And everyone hushed up.

Or let us take the general desire for favorable pension times. The worse the working conditions are, the sooner comes the pension. The departments of Goskomtrud are simply swamped with requests for preferential pensions. Workers are interested in them, as is the enterprise administration, which forces a worker to take his pension early and thereby eliminates its own worries.

In these trends, it is necessary to restore the functions of control and observance of the state interest.

[Voronov] So it is a matter of restoring lost functions of the system of Goskomtrud?

[Shcherbakov] Life brings new tasks. Previously there were essentially no different forms of ownership. Along with them, there has been a reappearance of problems about hired labor, which is used by cooperatives, lease collectives and individual persons employed in individual labor activity. They attract hired workers under labor agreements and individual contracts. It is still not known what kind of system there must be to protect their rights.

A cooperative was established in Volgograd in which 4 or 5 cooperators hired 450 school children, paid them 20 to 30 rubles each, and they themselves received incomes amounting to tens of thousands. That same Tarasov took 3 million for himself and paid the hired workers 400 to 500 rubles apiece.

[Voronov] But is it possible that precisely such a relationship must be?

[Shcherbakov] This is unknown. The workers themselves are basically satisfied and happy when they begin to receive 500 rubles instead of 200. And I am not talking about specific ratios but about the fact that there must be social protection for hired workers. Such functions must reappear. It is not mandatory that they be carried out by

the inspectorates of Goskomtrud and they can be included in the work of the deputy groups or trade union bodies.

[Voronov] And if we extend the subject of the observance of state interest that we raised? One of the common difficulties in the time of perestroika is the involvement of young people in production. A cost accounting collective is not enthusiastic about accepting young people with neither skills nor production experience. Who must defend the rights of young people as the basis for the future of our economy?

[Shcherbakov] I am not going to dwell on the unfinished nature of our legislation and the lack of instruments for effective economic regulation. I will say only that some steps are already being taken here. As for young people, they are still the very first steps but in regard to the disabled we are already getting an idea of what the system for the protection of their labor rights must be. We have this standard: 2 percent of jobs at an enterprise are given to the disabled. But this standard is not being observed. For this reason, the draft of new legislation stipulates that the local soviet sets the standard and that if it is not observed the enterprise must pay large fines to the local budget. But if the standard is met, tax advantages are also guaranteed: the enterprise pays no taxes on the labor resources of this contingent of employees and so on. Such measures are now being worked out and in particular they are dictated in the text of new laws presented by the USSR Council of Ministers and Supreme Soviet. Although it is necessary to say honestly that the resolution of this question is still in a rudimentary state.

And although a direct analogy between the disabled and young people is out of place, it is necessary to develop such a system of general state measures in regard to the employment of young people. It is extremely important, for the rate of the change of technologies, the structural changes in the economy and consequently the improvement of the efficiency of production depend on how actively new workers will be involved. In the final analysis, the future of our people depends upon this.

[Voronov] Vladimir Ivanovich, there have been very many unexpected discoveries recently. For example, someone discovered that hired labor has appeared here along with cooperatives. Do you know who made this discovery in the state apparatus? In what document was it first mentioned?

[Shcherbakov] I do not believe that the Law on the Socialist Enterprise uses the term "hired labor" but in the course of the study of the draft law it was actively used as the most understandable term and the one that accurately reflects the essence of the matter.

[Voronov] But why was purity preserved in the draft law itself?

[Shcherbakov] It is apparent that we are having difficulty getting used to new terms and you cannot throw away

many illusions all at once, for we all grew up with them. They are within us. Nor is the scientific content of each term undisputed.

[Voronov] Or take still another discovery. It turns out that we have unemployment. And we have had it for a long time. Is it possible that the ban has been removed from this term?

[Shcherbakov] I do not know who permits and who prohibits the use of particular terms. I have not run into this in practice. I think that no one does this in a clear manner. In my speech before the deputies of the USSR Supreme Soviet, for example, I pronounced the word "unemployment" and no one "from above" corrected me but they all perceived this normally.

[Voronov] Many noted that for the first time from a high platform an official is recognizing the existence of unemployment.

[Shcherbakov] I want to note, and this is more important, that in future draft laws we intend to introduce the concept of the unemployed and unemployment assistance. This puts the dots over the "i's." We are now preparing such a draft law. But I do not preclude the possibility that in the course of the discussion of the draft law someone will achieve the exclusion of the word "unemployment" from the text and its replacement with something else. We managed to get along without the term "private ownership" and talk about it in such a way that everyone knows what we mean.

[Voronov] Then let us put aside terms, logical subtleties and get to the essence of the matter. Unemployment (or whatever it may be called) affects some part of the population. In many developed countries, there is a certain percentage of unemployed people within the able-bodied population that is considered tolerable. Researchers discuss whom is affected by unemployment of 2.5 or 4 percent. Does Goskomtrud have a state order to science to determine the corresponding optimum percentage for our country?

[Shcherbakov] Researchers are dealing with this independently but there is no state target. And here is why. There are two concepts for the approach to this problem. The first is being developed most actively by G.Kh. Popov, whom I respect very much, and by several other major economists. Briefly it can be described this way: the unemployed are viewed as a reserve army of labor from which is drawn the manpower for new production.

[Voronov] That is, unemployment is treated primarily as structural?

[Shcherbakov] Not only as structural but also as a means to accelerate scientific-technical progress through the continual influx of manpower capable of accepting technical innovations. We have already spoken of this. And finally, the third element of this concept is that unemployment is an important stimulus for more productive labor. But people who think this way simply cannot

imagine themselves in the role of unemployed persons. Unemployment will hardly be an efficient stimulus for labor at this time. For this reason, perhaps, we should discuss not so much unemployment but the problems of the reserve army of labor.

[Voronov] But are we not again exchanging one term for another?

[Shcherbakov] This depends upon whether we accept unemployment and the fear of it as a stimulus for labor. If not, then it is actually a matter of labor reserves and a reserve army of labor that needs to be trained, retrained and organized so that it will respond quickly to the requirements of the economy: to the necessity of structural, technical and economic restructuring and so on.

[Voronov] But it is nevertheless proposed that unemployment assistance be introduced?

[Shcherbakov] Such a proposal is being studied scientifically as well as in practice.

[Voronov] But does it not seem to you that you are more than right and at this time unemployment will by no means encourage the search for work? The individual will go downhill. Will he want to spend his whole life on assistance?

[Shcherbakov] From the study of this problem, I personally got the idea that a significant share of unemployed people in the West are not actively seeking work. I think that it is time to forget the old dogma that all unemployed people were thrown out of work. There are entire social groups that have been getting along for a lifetime with odd jobs and business deals concealed from taxation so that they would not be deprived of aid.

In Canada, philanthropy toward the Indians actually led to a dead end. People receive assistance not because they cannot go to work but simply because they are Indians. As a result, almost all the young people are not striving to obtain work. Prof G.A. Yegizaryan and I visited a reservation and after the visit he joked that he would agree to become an Indian at that level of aid. But this is a bitter joke, for essentially a people is degenerating.

[Voronov] In the work of economists in past years, the problem of unemployment is very often linked with the problem of female labor. Some even considered that in general unemployment actually amounts to the idleness of women. In your opinion, to what extent is this connection valid now?

[Shcherbakov] One must realize that we do not now have a worthy number of serious specialists on the problems of employment. Those conferences that we carried out in connection with the preparation of a law on employment revealed the almost total difference of opinions.

Some say that unemployment in Central Asia is above all a problem of female labor. But behind this judgment are just words rather than serious scientific research. No one can say precisely how many women can be brought into

public production. Here we have the situation of many children, national traditions, private plots and a million other factors that need to be considered to answer the question of "how many."

Whereas before it was possible to speak of the close connection between unemployment and the idleness of women, it is now quite apparent that most of the participants in the events in Fergana and Novouzensk were unemployed young people. We have already seen among them those who do not want to work at all but desire to get along through odd jobs and speculation.

I am by no means convinced that the labor of women is the most complex problem of all. In my view, questions concerning the labor of young people are no less and possibly more acute. Although I will again make the reservation that my opinion is quite tentative and that the research has not brought any reliable results.

[Voronov] I will avail myself of this reservation. Is there hope that such results will appear soon? After all, you know better than anyone else how poor we are in researchers on labor economics.

[Shcherbakov] This poverty is also noticeable in our departmental institutes. An Institute of Employment Problems was established by a decision of the government and for a long time we have been unable to find a director. It turns out that in our country there are no specialists on employment. There are specialists in related subjects: manpower resources, choice of occupation and so on. It is necessary to start from scratch, for we will have really serious researchers only within 5 to 7 years.

In science, until recently we have been financing organizations rather than projects. It is necessary to put an end to this practice. The current tasks require a dramatic increase in the scale of the research.

[Voronov] Vladimir Ivanovich, I am going to ask a question that is not directly related to the thread of our conversation. Some of the readers of EKO are asking it. Why do we need a time board? Why does it remain the main document in the accounting of the wage?

[Shcherbakov] The time board cannot be abolished. It is a most important accounting document and concerns not only wages and finances.

[Voronov] But, for example, an oil-field operator somewhere in Tyumen Oblast is busy going around checking the work of oil wells. He "accumulates" tens of kilometers a day. But they pay the operator not for the good work of the wells and not for the kilometers but for the "eights" on the time board.

[Shcherbakov] Let us utilize the example given. I do not know a lot about oil production in Tyumen but the Bashneft Association performed an analysis of the expenditure of working time of oil-field operators. I will note that precisely the time board is a basic element for the analysis of labor input. As a result, it was calculated

that if we quit saving in machinery for operators, change the routes and take a number of other measures, it will be possible to reduce by almost one-third the number of operators and add the inspection of water-pressure stations to their functions.

When I worked at the Kama Motor Vehicle Plant, we put together an extensive program for the analysis of losses of working time. Indeed, if the expenditures are some particular volume according to the time board but the output is less taking into account the standards, then the difference shows the intrashift losses. People come to work and do not work. Why? The first answer: "There were no intermediate products." We write it down. There were about 100 reasons. After making the list, we begin to clarify the relative importance of each reason, who is at fault, etc. In Naberezhnyye Chelny, we went even further and set up a fund for the remuneration of labor and the wages of workers as a function of the coefficient of the use of the time when they are at work and made this dependency a significant element of intraplant cost accounting and accounts between subdivisions.

If we speak of the time board only as a piece of paper for accounting, of course, then its value is not very great. But if we speak of it as a document for the making of administrative decisions, then it is a key element.

[Voronov] You are saying some surprising things, Vladimir Ivanovich. It turns out that the very slogan of remuneration for final results is an illusion intended for simpletons. Life is more complex than piecework. You propose, for example, paying for the use of working time. But if there is no pure payment for final results, then cost accounting and the financial independence of enterprises appear in a new light.

[Shcherbakov] But who will now say what result is really the final result? We can rely only on cumulative life experience. And even though they say that it is not good to plan from a base, I have difficulty imagining a different course of action.

If a lathe operator completed 10 parts every day for a year, he will not do 20 a day beginning on 1 January of the new year. And we pay the lathe operator for completed work in the sense that the size of his wage is tied to the volume of produced output. But the mechanism of this interrelationship is not so simple.

Piecework is generally contraindicated at many workplaces. I will again return to the work of the Kama Motor Vehicle Plant. They set up an automated line at a cost of 20 million rubles. They begin to discuss what should be considered the final result for the workers on this line. Parts? Then they will push these parts, ingeniously getting around technical control and overloading the equipment. There will be one breakdown after another and there will be accidents. Why? Because no one had the sense to examine the situation comprehensively and because there was a willingness to be content with an

additional 3 rubles for an extra part. But is it possible that the final result here is not numbers of parts but something else?

Many plants can present examples in which in their striving for high wages the workers try to get all they can out of expensive equipment and the insignificant gain ends up costing millions. The clearest example of this is the tragedy at Chernobyl. It was not out of laziness that the power plant workers began to experiment with the crudest violations of technology and safety requirements. And it is not known when we will clear up their momentary desire for final results. Their wages were tied to produce 1 kilowatt-hours and this linkage is the reason for decisions such as this: "Why shut it down, let us hurry and finish the testing."

Chernobyl was an extreme case but how many tragedies take place on a plant scale because of the striving for final results? How many electric furnaces turn over because of haste? Who could count the losses?

[Voronov] Let us discuss the most difficult question that we in the editor's office prepared for our conversation with you. The remuneration of labor always includes payment for labor, payment for produced output, for skill and for the possibility of the quality performance of the assigned work. Is it possible to separate payment for skill and payment for actual labor?

[Shcherbakov] Apparently you are familiar with the "white space" in Marxist theory—the reduction of labor, about which there were conversations over many decades. What is the essence here, in my view?

Ideally, in a centrally managed economy, only necessary planned output is produced. And it is necessary to pay just enough so that the output is produced. And all of the expended labor is necessary. But if there is no problem in acknowledging the results of labor in the market, then through what means can some labor inputs be compared with others? Mainly through the duration of working time. Hence the frequent whims of paying double for overtime and for work on holidays. This is not payment for labor but for a concept.

Hence the general respect for those who overfulfill production targets. If you give 120 percent, they respect you in the shop. If you give 140 percent, you get the respect of the plant. And if you give 200 percent, you can open any door with your foot. This is it, the final result! And hardly anyone will think of checking into what is behind these 200 percent. EKO has already turned its attention to the renowned Stakhanov phenomenon and it is necessary to look further into this and compare, for example, the labor productivity of miners in the United States or Great Britain in those years. Much would then become clear.

[Voronov] So do you think that the consideration of skill is taking place, as it were, with the background of the general deference for the length of working time?

[Shcherbakov] Let us say that a doctor of sciences receives an additional payment for a degree, for the fact that he is potentially capable of doing more than a candidate. But it is very difficult to check whether he is performing precisely the work that the candidate is not capable of doing.

Let us therefore turn once again to the lathe operator. There are two skill structures in any shop. One is that of the personnel and the other is the structure of the work. The two structures very rarely coincide fully. If it is necessary to assign the production of a simple part to a worker with a high rating, we are dealing with so-called "excess skill."

[Voronov] It seems that it is now inappropriate to speak of excess qualifications.

[Shcherbakov] In all the years after the reform in 1965, we waged a ruthless attack on skills. We lost practically all repair workers, troubleshooters and toolmakers. These categories of workers were almost eliminated. As a result, we are even breaking what we bring in from abroad.

[Voronov] But what about the task of achieving world standards?

[Shcherbakov] We are currently by no means prepared even to accept the innovations of scientific-technical progress. There is a lack of knowledge and skills. If we set the task of reaching world levels in scientific-technical progress, then we must establish a "reserve" of skills.

And if we structure the lathe operator's pay based exclusively on the final result, then he will start to make inferior parts but a lot of them. They suggest to him that he transfer to a processing center but why should he create additional difficulties for himself? Things are good as they are, especially since his output might decline and he will lose earnings. We say to the metallurgist: master computerized smelting but he says no, it is simpler and more advantageous to work at the old furnace.

For this reason, there cannot be a system of wages in which they say: you produced a ruble's worth of output—go and get it. One must pay for skill and for professional craftsmanship as such. And the job and wage rates classification system must be structured so that it is advantageous to have good skills and a high rating.

[Voronov] Vladimir Ivanovich, let us not close our eyes to what is happening. More and more enterprises are ceasing to be guided by the job and wage rates classification manual.

[Shcherbakov] I will relate one case from a completely different area but one that is apropos. Some representatives of Nigeria once visited me and I asked why they are not very interested in bringing in our construction specialists. They answered that every time when our new specialist arrived he began by criticizing his predecessor.

saying that he had messed up there as well. But the newly arrived German specialist, after admiring the fruits of his predecessor's labor, says: "If Herr Mueller had had just a little more time, he certainly would have done this also...."

[Voronov] This example reflects the general mentality and not just the style of the work of an individual specialist in Africa.

[Shcherbakov] It seems to us that it is absolutely necessary to destroy something to its foundation and only then begin to consider what should be built on its ruins. Indeed, that is the general style of thinking.

You work for a newspaper and I became minister recently. Until that time, I worked in production at the Volga and Kama motor vehicle plants.

[Voronov] Your face really shines when you utter these names.

[Shcherbakov] It was precisely there where I received my basic qualification.

[Voronov] You were trained as an engineer?

[Shcherbakov] Yes and I developed the habits of economic work there at the plants. I am infinitely grateful to my mentor, P.M. Katsura, an economist of the highest qualifications.

In general, it is clear that something is wrong with our training of economists. In my view, good economists are made precisely out of engineers, people who can understand the basic nature of the common task, divide the task into parts and depict the sequence of actions for its resolution.

[Voronov] But we were distracted from the interesting subject of the general mentality and the job and wage rates classification manual.

[Shcherbakov] That is right. Every person, regardless of the position that he holds, remains himself and internal changes take place slowly. One cannot go to sleep stupid and wake up smart.

[Voronov] But one wants....

[Shcherbakov] And from this desire ensues the striving to formulate theoretical structures that are more convenient than life with its complexities. It is precisely within these structures that the opinion arises: "They made all kinds of nonsense here without me, everything must be torn down." But you will not hear what needs to be built.

[Voronov] And the rejection of the job and wage rates classification manual is an element of one such structure.

[Shcherbakov] Of course. Let us learn to experiment not on ourselves but let us propose to the French or Spanish that they renounce job and wage rates classification manuals.

[Voronov] Do they have them?

[Shcherbakov] State authorities and trade unions are drawing up documents analogous to manuals. And they are being used actively in practical applications. For in the absence of a centralized economy no one prevents an entrepreneur from renouncing general guidelines. But for some reason he does not do so. Let us look into why. Or perhaps we can propose to them that they abolish their own job and wage rates classification system.

[Voronov] But if we continue to adhere to elements of the old system, then nothing at all will change.

[Shcherbakov] There is more danger at the present time from rushing to and fro and from rash decisions than from the preservation of elements that were worked out over decades, although they are frequently linked with the stagnant economy. Too many decisions were made precisely in the framework of abstract mental constructs and it is now necessary to revoke them.

[Voronov] Are we now going to touch on the subject of the campaign against drunkenness?

[Shcherbakov] There is a more current example—the prohibition of trade and purchase cooperatives. This problem was discussed on an emotional level and without an insight into the real problem. For no less than half of the work of Tsentrsoyuz [Central Union of Consumer Societies] was trade and purchasing. Why prohibit some from doing what others are permitted to do? In the scope of a mental construct, however, an image of an enemy of the people has already been created—the speculator. But time will pass and we will again understand that there were untruths and we will begin to discuss how to abolish the ban.

Persistent economic myths are supported by such decisions and with them create the nebulous illusion of great transformations. And the myth of payment only for the final result is not the last of our prejudices.

[Voronov] Thank you very much for the conversation. How are you going to make up for the time spent on the readers of EKO?

[Shcherbakov] Clearly only at the expense of my sleep.

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Strikes Cannot Be Legislated Away

904F0105A Moscow KOMMERSANT in Russian No 4, Jan 90 pp 12-13

[Article by Leonid Skoptsov: "How Many More Strikes Will There Be?"]

[Text] Time losses due to strikes amount to hundreds of millions of man-hours. Legislation against strikes, urgently passed by the Supreme Soviet, was greeted on the

Vorkuta and in the Kuzbass with new, politically motivated strikes. It turned out that it could not be enforced without the law itself being violated.

Who, for what reason and with what results will strike in the near future? This is no idle question, since so much rides on the answer: strikes have become daily reality in our life.

It can be stated that strikes as a form of ethnic protest will soon begin to decrease. However, it will not be due to the law on labor disputes and conflicts. Such strikes only make sense while the center, i.e., the state represented by supreme authority, is the supreme proprietor. The purpose of a strike is to hurt the proprietor and thus force him to make concessions.

Now, however, according to Leonid Abalkin's assessment, 70 percent of the economy will be transferred to the republics and local soviets. Newly elected deputies will probably try to wrest even more property from the state. After union property is divided, new owners—i.e., local authorities—will do everything possible to rein in ethnic passions.

Naturally, processes similar to those in the Trans-Caucasus and Moldavia will emerge in the Ukraine, Eastern Kazakhstan, Bashkiria and the Tatar republic. But other passions, aside from ethnic ones, will compel millions to down tools.

The name of this force is economic necessity.

Vice-Premier Leonid Abalkin, speaking from the Kremlin podium, said once that we live as well as we work. This is not a new idea in and of itself. The late Leonid Brezhnev often used this concept. Alas, today it has become clear that both of them were wrong: however poorly we work, we live even worse. Statistics support this. It is a well-known fact that a developed economy is balanced. The relationship among parts develops objectively, according to inviolate rules. Without delving into the intricacies of political economy, let us just state that market value of a worker is determined by his share in the marginal social product. The share allotted to wage laborers in our country is, at 36.6 percent in 1985, the lowest in the industrial world, almost half as great as in the U.S. According to the data of the USSR State Committee for Statistics, that figure has risen to 44 percent in the years of perestroika. Let us take the official figure at its face value. But was such growth enough to ensure productive work and, most important, social peace? Most likely not. The more the Soviet worker learns about the outside world, the more acutely he feels his misery.

How could it be different if a metal worker, while producing a ruble's worth of output, gets only 9 kopeks, whereas his Western counterpart earns 55 cents for each additional dollar? The Soviet auto worker gets a mere 12 kopeks per ruble in the price of a car, compared to 60-to-70 cents in the case of the Canadian one.

In Russia, traditionally, the closer we came to market economy, the more the average worker was worth. In 1908, the share of wages and salaries in national income amounted to 54.8 percent. In 1928, the last year of New Economic Policy, it was 58.1 percent. "The Great Change" more than halved that figure, reducing it to 26 percent by 1931. Only by 1950 did this measure rise back to one third, or 33.4 percent.

The conclusion follows that until our workers win the remaining third of national product owed to them according to these calculations, strikes will be inevitable since they are economically necessary. No extraordinary measures of financial restructuring, attempts to freeze wages or laws banning strikes could stop this flood. The success of miners' strikes is plain for all to see.

Does this mean that we are to expect pandemic strikes among all groups of workers? Not at all. Only those will be able to strike who are certain that their voice will be heard. But neither the size of the labor collective nor the strength of their voices will matter. Everything will hinge on the market position of strikers and the material damage they will be able to cause to the proprietors.

Judging from official statistics, coal production is loss-making. The industry is on subsidies. The oil industry is barely able to make ends meet. On the other hand, machine building ministries rake in superprofits. Yet, our legislators ban strikes in extracting industries and allow machine builders to strike. Where is their logic, you may well ask.

There is, however, a clear logic here. Strikes are crude reality. And no one looks into the crooked mirror of government statistics when dealing with reality. In reality, the main value-added product in the country is currently produced in the extracting industries: in oil, gas and coal production. All other industries, with the exception of agriculture which is also on subsidies, consume more than they put into the common pot. Strikes by agricultural combine makers, or by all defense industry workers taken together, would only ease the economic situation. This is why machine builders would never strike to protect their economic rights. Except for VAZ [Volga Automotive Factory] AZLK [Automotive Factory imeni Lenin's Komsomol] or the Zaporozhye Automotive Factory workers who, by playing on the market demand for their product, might win something if they stopped their production lines.

Workers in energy-related industries and railroads could strike, and strike successfully. They are the mainstay of the economy and their output and services have real value. The probability of strikes at metal plants is much lower, even though their labor conditions are hardly better than those in the mines. Why? Because the country overproduces metal. If need be, industry could function for several months, if not a full year, just on reserves. Could striking metal workers hold out for so long? It is unlikely. Judging from the experience of the Vorkuta strike, the longest to date, there is a certain limit

to strikers' endurance, after which the strike begins to have a harmful effect on the strikers themselves. From a weapon in the struggle, or a bargain chip in a transaction for labor, it turns into a test of wills and becomes permeated with ideology and politics. But this does not mean that it is more successful.

Structural imbalances in the economy and artificially low prices for labor underwrote and maintained not only an enormous bureaucratic apparatus but entire industries as well. When one imbalance—in the value of the average worker—is corrected, it immediately impacts all other imbalances. Economic restructuring commences. Enterprises and industries which are not viable from the point of view of the market will have to leave the stage. The number of wage laborers will decline drastically. The average worker, speaking figuratively, will slim down to the size of his market breeches.

Can workers of those doomed industries and enterprises strike and will they be successful? The answer is clear: they will strike. Or rather, they will try to strike and will

most likely be unsuccessful. But they will be able to riot. This is why news about new waves of strikes cause no particular joy.

True, strikes are a potent means of structural reform in the economy. We cannot go on without these changes. But waves of social unrest called forth by strikers' victories may unfortunately put an end to the economy even before that.

The strike is an open and collective form of protest. We, on the other hand, are used to passive protest, to voting with our feet. An example of this is the mass exodus of peasantry to the cities.

Strikes became possible as a result of liberalization of the political system. The same process of liberalization has lifted the iron curtain around our borders. Here, another significant problem arises, the mass exodus of trained professionals, i.e., scientists and technical intelligentsia. They go where they can get the true price for their labor.

RAIL SYSTEMS

Early January Rail Performance Highlighted

904H0107A Moscow GUDOK in Russian 16 Jan 90 p 1

[Unattributed article: "The Debts Remain"]

[Text] The desire of the railroad workers to reach the planned indicators for dispatching freight during the first 10 days of the month was not crowned with success. During the first 15 days of January, the arrears in loading reached more than seven million tons. One of the main reasons was the events in the Transcaucasus that paralyzed the operation of the railroads. In that region alone, the network was unable to load 21,000 railcars during the two weeks. Approximately 40,000 units were delayed at different points on the network. The weather also complicated the situation. Heavy snowstorms and freezing slowed movement and the work of the classification yards on the Sverdlovsk, Kuybyshev, Tselina, Kemerovo,

A comparative analysis of the situation with respect to the dispatch of coal at the beginning of last year is clearly not in favor of this year. The shortfall in the plan was 1.14 million tons. The Kemerovo, Tselina, Northern, and Donetsk roads allowed a small underloading....

Whereas the Kemerovo has somewhat improved the dispatch during recent days by increasing the supply of the mainline with empties, the situation remains an alarming one on the Tselina. The arrears are more than 330,000 tons. The shortage of empties because of the failure to fulfill empties disposition list quotas by the Alma-Ata and its own miscalculations in unloading—up to 280 gondola cars are not freed every day, is having an effect. The Pavlodarskiy Aluminum Plant, Karagandinskiy Metallurgical Combine and other factories producing parts for use by others are tolerating a great deal of demurrage in rolling stock.

The so-called "small basins" have added to the loss of coal. The Gruzugol Production Association failed to dispatch 32,500 tons; Sredazugol—22,700 tons; and Ukrzapugol—more than 26,000 tons

The situation with the export of grain from seaports and imported freight from Western border stations has stabilized somewhat. The Lvov and Belorussian railroads are being fully supplied with covered rolling stock. At the same time, more than 2,000 railcars with freight for China and Korea are standing idle on the Far Eastern.

The arrears in transporting petroleum products has still not been reduced. Today, it exceeds 440,000 tons. As before, there are sore points here: Omsk, the Perm Division of the Sverdlovsk and the Central Asian where the Ferganskiy and Krasnovodskiy oil refineries have stopped shipments until there is a supply of tank cars.

The lack of balance in the export of this or that product is having an effect. The Omskiy plant dispatched almost 500 tank cars above the plan; at the same time, there was

a significant shortfall in the dispatch of gasoline: there were not enough empties. Is such above-plan haste justified? Hundreds of tank cars with fuel stand ready to be dispatched in the Transcaucasus republics. However, there are conflicts there again.

The situation with respect to traffic safety has also become serious, especially in track and railcar facilities. A total of 24 railcar derailments occurred here. Five of them were the cause of train wrecks on the East Siberian, Volga, Northern, October, and Azerbaijan. During the first 14 days of the new year, there were 259 uncouplings of railcars because of axle heating—68 of them with roller bearings.

Railways Economic Commission Created

904H0107B Moscow GUDOK in Russian 16 Jan 90 p 2

[Unattributed article: "Ministry of Railways Economic Commission Established"]

[Text] In order to increase the management level of the economic branch and to create the necessary conditions for the harmonious combining of economic and command administrative methods for managing rail transport, a statute on the Economic Commission of the USSR Ministry of Railways has been approved. It will be composed of:

V. N. Ginko is the chairman of the Ministry of Railways commission and a first deputy minister; the deputy chairman are K. Kh. Salatov (TsEU) and V. F. Pryadko (TsF). The members of the commission are A. M. Vaygel (TsUSh), G. R. Gauf (TsYu), S. N. Zhuravlev (All-Union Scientific Research Institute of Railroad Transport), M. V. Meshenberg (TsEUT), V. S. Myshenkov (trade union Central Committee), A. A. Polikarpov (TsChU), V. S. Kudinov (TsN), and G. V. Davydov (TsD). The secretariat includes V. S. Kleymenova (TsZU) and N. N. Ivanov (TsF).

The 15 February 1988 Ministry of Railways Instructions No. 90 on forming a permanently operating Ministry of Railways Economic Commission are no longer in force. The Central Committee of the Trade Union for Workers in Rail Transport and Transport Construction has concurred.

International Rail Freight Agreement

904H0107C Moscow GUDOK in Russian 16 Jan 90 p 2

[Unattributed article: "On Order of the Ministry of Railways"]

[Text] During 1990, the Transport Publishing House will produce a new text of the Agreement on International Rail Freight (SMGS) which will enter into effect on 1 July of this year.

The agreement is binding on railroads and the dispatchers and receivers of export and import freight. The

main conditions for transporting certain freight (dangerous, unusual size and perishable), freight on its own axles, live animals, motor vehicles, tractors, and other self-propelled equipment are stated in it. The dimensions of freight on different railroads participating in the SMGS are given considering 1,520 and 1,435 millimeter track. Samples of SMGS invoices and road slow and fast speed registers, SMGS commercial acts, and other items are being published. The procedure for concluding a transport agreement and for its fulfillment and amendment is given.

Every Soviet enterprise, establishment, association, or firm, which dispatches export freight abroad or receives imported freight in the USSR, should have the SMGS as a handbook. The transportation of freight on international rail lines of communications is carried out with countries whose railroads are SMGS members. These are Albania, Bulgaria, Hungary, Vietnam, the German Democratic Republic, China, the Korean People's Democratic Republic, Mongolia, Poland, Romania, and Czechoslovakia and also transit freight through Poland-GDR, Romania-Bulgaria, Hungary and Czechoslovakia with the countries of Western Europe.

A knowledge of the SMGS is necessary for Soviet organizations which have concluded a shipping agreement.

It is necessary to send requests for the new SMGS before 1 November 1990 to the following addresses: 103064, Moscow, Basmannyy Alley, House No 6a, Transport Publishing House, or

107078, Moscow, B-78, Sadovaya-Spasskay Street, House No 21, Transport Book Central Store, or

113114, Moscow, 1st Paveletskiy Lane, House No 1/32, Building 2, Book-Mail—a section of the Transport Book Store, or

to the 23 addresses of the branches of Transport Publishing House and the sections of the Transport Book Store listed in the subject plan for the publication of literature by the Transport Publishing House during 1990.

1989 Rail Traffic Safety Statistics Issued

904H0122A Moscow GUDOK in Russian 24 Jan 90 p 2

[Unattributed article based on materials from the MPS [Ministry of Railways] Traffic Safety Main Administration: "Traffic Safety in 1989"]

[Text] The acuity of the problem of ensuring traffic safety was not reduced in the past year: there were 54 wrecks and 53 accidents. A third of all the wrecks fell to the October, Transcaucasus, Baltic and Kuybyshev railroads. Wrecks with passenger trains occurred on the Odessa, Southern, Transcaucasus, Volga, Southwestern and West Kazakhstan railroads. Twelve people perished and ten were injured in various types of incidents. This included injuries to three passengers.

The Volgograd, Kuybyshev, Tbilisi, Shyaulayay, Kharkov, Leningrad-Vitebsk, Leningrad-Finland, Lvov and Mineralnyye Vody divisions were the most accident-prone. The lowest safety level in 1989, as in the prior year, was in the track and locomotive system. A rise in the number of wrecks also occurred in the shipping, STsB [signalization, centralization and block system] and communications systems.

The overall number of instances of damage in train and shunting operations was reduced by 7.9 percent. Reductions in instances of damage were achieved in all sectors of transport and practically all railroads except the October, Baltic, Southern, Donetsk and Baykal-Amur.

Two of the five wrecks that occurred in the shipping system over the year, both moreover involving passenger trains, occurred in the Volgograd Division of the Volga due to violations of the rules for shunting operations. An incident occurred on the Transcaucasus for the same reason. The runaway of cars left without a locomotive was the cause of a wreck in the Tenzhiz Division of the Kemerovo. It was the acceptance of a freight train onto an unprepared routing on the Baykal-Amur. The number of such potentially dangerous violations as the dispatch of a train onto an occupied line (13 versus 7 in 1988) was almost doubled. The sharp rise in instances of the routing of passenger trains onto an occupied line (6 versus 2) elicits particular alarm.

Locomotive crews ran through 132 stop signals last year. Eight of these resulted in wrecks or accidents.

The overwhelming portion of the instances of damage in this system were locomotive damage. The greatest number of these occurred in the October, Alma-Ata, Sverdlovsk and Transbaykal.

The fracture of the axle neck of a wheel pair was the cause of almost half of the incidents that occurred through the fault of the railcar personnel. The number of such failures almost did not decrease at all (87 versus 91 in 1988). These figures testify to the unsatisfactory technical maintenance of the axle-box assembly and the poor quality of its repair. The situation requires the more active incorporation of DISK-BKVTs instruments. This work is being conducted at a considerable lag behind the plan, however, on many railroads. Only 11 of the planned 21 devices have been installed on the South-eastern Railroad. Just 6 of the planned 13 have been incorporated on the Krasnoyarsk. The targets have also not been met in the Southern, Moldavian, Donetsk, Volga, West Kazakhstan, Tselina and Alma-Ata railroads.

More than 40 percent of all the incidents that occur on the network occurred in the track system. The situation is most unfavorable on the October, Baltic, Southern, Moscow, Kuybyshev, Southeastern, Lvov, Southwestern and Transcaucasus railroads.

The number of wrecks increased in the STsB and communications systems. The price of each operational

failure of STsB devices is well known. It is especially intolerable when poorly thought-out circuitry designs lead to them. The instance of the collision of two freight trains at the station of Rudnyy in the Murmansk Division of the October Railroad that occurred in November could serve as an example of a failure inherent in the circuitry. The price of the incident was the lives of the locomotive crew and almost 300,000 rubles of direct damage.

After the tragedy at the Rudnyy station, the ministry sent the railroads a directive for the universal inspection of the circuitry of STsB devices. No attention was probably paid to it, however, as similar instances continue to occur.

The situation with ensuring traffic safety at railroad crossings became more acute last year. There were 8 wrecks or accidents due to violations of traffic-safety rules by truck drivers. Some 263 people died and 349 were injured when trains ran over motor vehicles. Train passengers were not harmed in these incidents.

Work connected with eliminating such violations at crossings is being pursued in most diverse fashion. It is, however, obviously inadequate. Initiative is needed in the locales, in close contact with the police and ispolkom bodies. Mobile patrol stations must be created in each division, and the mass media must be utilized more broadly in preventive work.

Wrecks, accidents and instances of damage occur overwhelmingly due to violations of PTE [technical operating rules], instructions and technological processes. A more profound study of the circumstances of incidents shows that preventive work in safety is organized quite

terribly in places where they occur. The level of educational work, technical training and instruction is too low. A system for pursuing preventive measures and strict monitoring of the fulfillment of rules is lacking.

The proper attention is not being devoted to social issues—the observance of the proper regimen of labor and rest for people or concern for creating suitable conditions for work and everyday life for them—in many places.

A fundamental discussion at cluster conferences on traffic safety and at the All-Union Conference of Railroad Personnel and its sections took place on how to eliminate the existing shortcomings. The resolution adopted by that conference states in particular the necessity of profound analysis, in each subdivision, of issues connected with ensuring traffic safety. The creation of suitable conditions for the labor of railroad personnel connected with shipping and the eradication of violations of the labor and rest regimen for locomotive crews must be considered a paramount task.

The development of a unified system-wide program for the creation and incorporation of traffic-safety equipment, along with the establishment of strict monitoring of the course of its realization, is projected for 1991-1995. The issue of financing that program and priority material and technical supply will also be resolved.

The most important thing is not to permit formalism in the organization of that work and to counter negative phenomena with high organization, exactingness and an intolerance of bad workmanship by labor collectives. The painstaking and constant work of each at his post is required for this. Those associated with traffic must not forget for a second that ensuring safety is a guarantee of the life and health of people and the uninterrupted delivery of freight and passengers.

Description	Accidents		Wrecks	
	1988	1989	1988	1989
Total wrecks and accidents	66	54	62	53
—of which: passenger trains	8	7	44	38
Track facilities	24	23	27	25
Railcar	15	7	5	4
Locomotive	12	12	9	7
Shipping	3	5	9	13
Container shipping and commercial operations	4	2	1	—
TsTVR	3	—	—	1
TsUPZhT	—	—	1	—
Signals and communications	1	2	2	1
Material and technical supply	1	—	—	—
Passenger	—	—	2	—
Non-transport organizations	3	3	6	2
Causes:				
Rail breakage	8	9	3	2

Description	Accidents		Wrecks	
	1988	1989	1988	1989
Track defects	16	7	11	12
Switch defects	—	3	6	6
Runover of motor transport	1	3	4	5
Failure to protect area of track operations	—	2	—	1
Run through stop signal	3	6	6	2
Train runover of train	1	3	—	1
Locomotive defects	1	1	2	5
Car wheel pair weld joint breakage	7	3	1	2
Other wheel pair defects	3	1	—	1
Railcar parts falling on track	3	1	3	2
Railcar parts breakage	5	2	2	—
Car runaway	4	3	1	3
Violation of rules for shunting work	—	2	4	2
Receiving train on occupied track	1	1	—	—
Receiving train on unprepared routing	—	1	1	3
Switch of centralized switching under train	—	1	3	3
Railcar overloading	2	1	—	—
Excessive speed	3	1	—	—
Other causes	—	4	—	3
By railroads:				
Transcaucasus	5	6	2	4
October	4	5	2	6
Baltic	2	5	2	3
Kuybyshev	2	5	1	3
Southwestern	3	3	—	1
Volga	1	3	—	2
Central Asian	2	3	—	1
Northern	—	2	3	1
North Caucasus	1	2	6	5
Azerbaijan	3	2	10	1
Southeastern	2	2	3	2
West Kazakhstan	—	2	—	2
West Siberian	5	2	3	1
Transbaykal	3	2	7	1
Far Eastern	1	2	1	1
Moscow	2	1	3	5
Gorkiy	2	1	1	—
Odessa	3	1	4	1
Southern	—	1	1	3
Sverdlovsk	3	1	2	—
South Urals	2	1	4	—

Description	Accidents		Wrecks	
	1988	1989	1988	1989
Kemerovo	1	1	1	—
Baykal-Amur	4	1	—	1
Belorussian	1	—	—	1
Dnepr	1	—	1	2
Tselina	1	—	—	—
Alma-Ata	7	—	2	1
Krasnoyarsk	3	—	1	2
East Siberian	2	—	—	1
Lvov	—	—	1	2
Moldavian	—	—	1	—
Donetsk	—	—	—	—

Consequences of wrecks and accidents:	1988	1989
People perished*	47	12
of whom: passengers	27	—
People injured	155	10
of whom: passengers	146	3
Railcars destroyed	765	448
Railcars damaged	632	520
Locomotives destroyed	12	13
Locomotives damaged	25	31
Traffic interruptions (in hours):		
—Total	944	814
—One-way	514	332
Operational damage, causes:		
Total incidents	41,589	38,294
including special cases	14,398	14,107
Receiving train on occupied track	13	11
Dispatch onto occupied line	7	15
Receiving and dispatch on unprepared routing	51	43
Change of centralized switch under train	18	17
Railcar runaway	92	68
Running stop signal or fouling post	152	124
Locomotive damage—total	6,879	6,432
of which: damage to passenger trains	1,319	1,319
Wheel pair axle weld breakage	91	88
Breakage of sidewall or suspension bar	29	20
Dispatch with closed brake end cocks	51	39
Release of coupler and draft sill	1,571	1,230
Self-decoupling of coupler	1,087	1,114
Decouplings of cars from passenger trains for technical defects	216	200
Decouplings of cars from freight trains:		
—for axle box friction	3,083	2,399
—for technical defects	4,154	3,845

Consequences of wrecks and accidents:	1988	1989
Falling of railcar parts onto track	341	354
Failure to protect areas of track operations	88	96
Collisions of rolling stock	2,080	1,988
Deraillments of rolling stock:		
—Total	8,350	8,166
—of which: in trains	529	461
Defects in STsB and communications devices, as the result of which traffic interruptions of more than 30 minutes occurred	230	198
Damage to catenary system, as the result of which traffic interruptions of more than 30 minutes occurred	907	860
Runover of motor vehicles:		
—Total	939	914
—of which: at protected crossings	155	135
—at unprotected crossings	739	720

*—Information on victims given for the moment of the accident or wreck occurring through the fault of railroad workers.

Rail Accident Investigation Discussed

904H0109B Moscow GUDOK in Russian 14 Jan 90 p 2

[Article by M. Tupitsyn, All-Union Scientific Research Institute of Railroad Transport senior scientific associate: "The All-Union Scientific Research Institute of Railroad Transport Is Making an Examination"]

[Text] Moscow—Any railroad accident occurs in a fraction of a second and inflicts damage that is counted in the millions of rubles at times. In each specific instance, there are people whose negligence or connivance has contributed to the accident. Who are they? Whereas a minute is enough for television experts to reply, the associates of the traffic safety branch in the All-Union Scientific Research Institute of Railroad Transport, at times, require months and sometimes even years to establish the truth. It is impossible to do otherwise, since the fate of people is behind the dry lines of the investigation's protocols and decisions.

Not so long ago, the associates of the branch gave answers regarding the head-on collision of two diesel locomotives at the station of Kurgan-Tyube on 26 January 1986. An investigation, which also directed the work in the All-Union Scientific Research Institute of Railroad Transport, had preceded our long work. Here is an extract from the decree of the Tadzhikskiy transport procurator's office:

"Considering the fact that special knowledge and skill in the area of rail transport are required in order to clear up the question of the reasons for the collision of the diesel locomotives and the people guilty of it, it is necessary to appoint a supplementary judicial technical commission of experts...."

The examination began this way, immediately complicated by the absence of a speed measuring device on one

of the diesel locomotives. It is known that both locomotives—TEM2 No 3319 and 2TE10L No 2142—were traveling in heavy fog with visibility limited to 30-40 meters. Technical maintenance point workers, who received bodily injuries after the collision, were in the cab of the shunting locomotive.

One had to spend a long time to find out to whom the connecting track, on which the trouble occurred, belonged: the locomotive depot or the station? They came to the conclusion that it belonged to the depot. However, the track was often used by traffic personnel without the depot's agreement. This was a faulty practice. The telephone in the premises of the assistant depot-master was not working at the time of the collision. The latter had not reported this to the assistant station-master, who had repeatedly tried to find out whether the connecting track was free or not.

However, without using other communications means, S. Zubaydullayev, the assistant station-master, blindly dispatched the shunting engine. At the same time, R. Ibodullayev, the assistant depot-master, who was fully confident of his actions, dispatched the passenger train locomotive. T. Khodzhayev, the depot chief, having decided to go somewhere in the locomotive cab, ordered the crew of this locomotive to travel without a speed measuring device. The man was in a hurry and he exercised his right to give orders....

That is, whereas only Zubaydullayev, the assistant station-master, had been found guilty for what happened, now the circle of people who really had a hand in the collision of the locomotive, was considerably expanded.

The locomotive crew of the shunting engine, which consisted of K. Bakhridinov and S. Zarkayev, violated a whole number of technical operating rules. In particular, a speed was developed, which did not correspond to a situation where an obstacle to movement might appear under conditions of limited visibility. People, who had no right to travel on the locomotive, were in the cab.

The crew of engineer D. Khatamov and his assistant P. Shvab violated a whole series of instructions by moving out of the depot without a speed measuring device on a passenger train. Calculations showed that the speed of their travel was greater than that allowed for these conditions.

T. Khodzhayev, the depot chief, knew about many deviations from the rules and instructions both by his subordinates and by the station workers; however, he did not try to correct them. A. Kuchkarov, the chief of the Kurgan-Tyube Station, also knew about the imperfections at the station and quietly continued to work.

That is why what happened could have occurred a year earlier or a year later but would have occurred without fail. The conditions of a mutual lack of exactingness and respect for transport laws, which are identical for everyone but which are unfortunately interpreted differently everywhere, prepared the collision. Experience convinces us of this time and time again. Afterwards, time and considerable resources, which could be used much more beneficially, are wasted on examinations and official trips.

It would seem to be simple truths but the next criminal case lies on the table.... Again, it is necessary to put aside the important traffic safety questions for which our section was established.

Rail Freight Congests Ports

904H0103A Moscow GUDOK in Russian 11 Jan 90 p 1

[Report by GUDOK correspondent M. Gorbis: "The 'Battle' at the Black Sea and Danube Berths Began During the First Days of the New Year"]

[Text] Odessa-Ilichevsk-Kherson—It is amazing how rapidly the situation changes these days. It seems it was quite recently that the collective of the Odessa-Port Station completed the last year successfully and was even able to cope with the freight handling target ahead of schedule. But there was disagreement once again when there was a shipment of imported grain because of the shortage of grain carriers.

The events developed this way. On 26 December V. Zubarev, the deputy chief of the Transport Main Administration, wired the station and port managers that they would have to unload 300 cars of grain per day in January 1990. They did not have time to turn around in Odessa when a new directive followed from Moscow. This time V. Zubarev, together with A. Shutka, deputy chief of the Shipping and Operation of the Fleet and Ports Main Administration of the Ministry of the Maritime Fleet, informed them of a new target: handle 440 cars per day.

It turned out that the repeated higher targets were given to the stations and ports of Ilichevsk, Nikolayev, Kherson, Izmail, and Belgorod-Dnestrovskiy, which naturally raised quite a few questions there. One of them was: why

was Moscow unable to determine right away how much grain is to be shipped in January and who needs it? In this connection, how will the supply of empty grain carriers be ensured? This factor was also especially important because the dock and railroad workers in Odessa, as an example, have had problems more than once with the unloading of imported grain. The open letter on this subject from Odessa transport workers to Minister of Railways N. Konarev, which was published in GUDOK, was still fresh in their minds.

The situation was stabilized to a certain extent then. But how will matters stand now? Why was there such a striking change in plans in a few days? I called V. Zubarev.

"At first we really decided to maintain the amount of freight handling in December," Vladimir Ivanovich explained. "But it later turned out that there would be twice as many ships supplying the grain. In addition, 2 million tons had accumulated in the ports already..."

Everything was correct somehow. All the same, I cannot understand why the Ministry of Railways and the Ministry of the Maritime Fleet decided to bewilder the railroad, the shipping company, the stations at the ports, and the ports on the last day of last year. Where were they before this? After all, transferring grain from the holds to railroad cars during the winter is not such a simple matter. And it turned out later they were not prepared to fulfill the higher target everywhere; the workers performing related tasks have had heavy losses from the first days of the year because of this.

There are more than enough examples of this. There have not been enough train makeup men and a diesel switcher has been needed at the Odessa port. True, the railroad division quickly sent two workers to Odessa from nearby stations. But this did not save the situation. And the station car scales at the largest grain freighter berth broke down, and now the cars have to be pulled almost through the entire port for weighing.

So it turns out that only 304 cars were dispatched on the first day of the new year and 351 cars on the second day, and they did not reach the point needed on the third day in spite of all their efforts. But they were able to work better on the fourth day. Three consists of empty grain carriers arrived at the station during the night, but there was no ship in the berth.

The situation that took shape at the other ports was far from simple. In Ilichevsk, as an example, the daily target for shipment is not being met despite the availability of up to 250,000 tons of grain in the holds. Not only the delays in delivering empty cars, but weather problems and difficulties unloading heavy containers with imported goods are having an effect. As before, various foreign trade departments are to blame for allowing

them to lie idle in port for an extended period of time. Here is a fresh example. On 4 January 1,850 containers with goods from overseas were accumulated here, but nearly 1,000 of them turned out to have no documents, and most of them had no purchase orders at all. And those suitable for shipment are few and far between.

At the same time, other grimaces of planning appeared as well. A specific norm for unloading exports was established for each port at the end of December by the Ministry of Railways and the Ministry of the Maritime Fleet. But when the Export-Import Freight Shipping Department of the Odessa Railroad compared these ministerial norms with information on the coordinated plan for the delivery of freight, it turned out that the two transport ministries had planned to unload 3,488 cars more than actually should be delivered to the ports.

To say the least, all this is leading to senseless activities and threatens serious disruption. For example, 100 cars with nonstandard export equipment arrived at the Ilichevsk port in 2 days in January at a time when there should have been only 46. It is quite clear that the unloading is proceeding very slowly and there are no sections available for the export goods. Perhaps this was the reason that dock workers did not unload 246 railroad cars with export goods under the plan—about half of all the cars arriving at Black Sea and Danube ports—in the first 4 days of January.

Groans can be heard from the Kherson port as well. The chief of the port, Baynov, sent off an urgent telegram to managers of the Ministry of the Maritime Fleet, the Ministry of Railways, the Odessa Railroad, the Black Sea Shipping Company, and the Kherson Division in which he tearfully begged them to stop delivering mineral fertilizers for export. In accordance with the preliminary plans of the Ministry of Railways' Export-Import Planning Department, only several cars with metal, equipment, and paper were to be delivered daily to the Kherson port in January. But here a report was received that the delivery of 56,000 tons of ammonium sulfate is expected in January, without coordination with the railroad and the shipping company. And this at a time when nearly the same amount is being stored in the port's warehouses. So about 100 cars with these same vitamins are waiting to be unloaded here on any day.

Rail Oil Deliveries Sporadic, Chaotic

904H0103B Moscow GUDOK in Russian 11 Jan 90 p 1

[Report by GUDOK correspondent S. Kasatyy: "Oil Arrhythmia"]

[Text] Saratov—Railroad workers began the new year with unprecedented tension in the shipment of petroleum products. In the first 10 days of January, the backlog totaled about 340,000 tons. Clients made a substantial "contribution" to the lag. Each of the refineries underloaded more than 2,000 tank cars. The backlog for which the railroad workers are responsible is growing as well. Since the beginning of the month, for

example, the Volga Railroad has not dispatched over 2,500 tank cars, and the Perm Division of the Sverdlovsk Railroad is responsible for not dispatching nearly the same number. The Kuybyshev, Donetsk and South Urals Railroads are lagging behind in freight handling.

While the statistical workload is being fulfilled in the system as a whole, the October, West Kazakhstan, Krasnoyarsk, and East Siberian Railroads are not coping with the norm.

In the opinion of Ministry of Railways specialists, one of the basic reasons is the inefficient utilization of rolling stock and the increase in the distance of shipments, which is not always justified. So the Pavlodar Division of the Tselina Railroad is to dispatch 60 tank cars to the Alma-Ata Railroad. But the cars went to...Arkhangelsk. And there are quite a few such examples. Shipments for long distances that are not well-considered—there are thousands of capacities which the enterprises need that have not been released.

The chaos in planning is also having an effect. Mazut and diesel oil are being delivered to Moldavia from the Belorussian Railroad, while the Nadvornaya Station with a refinery is located closer to the republic. Fuel from the Bashkir ASSR is being taken to the Transcaucasus, a petroleum area...

As we see, the ills are not new ones, and this is not the first time they are becoming intensified. The task is to prevent them.

In a few days in January, the Volga Railroad accumulated a backlog of over 20,000 tons. Perhaps they are utilizing tank cars poorly here, as is often the case, or the washing and steaming stations are not operating at full capacity? We cannot say. But they are not being filled!

The basic reason is that there is a critical shortage of empty tank cars. They say that they are being held up in Azerbaijan and the North Caucasus. But it is no easier locally because of this. The steaming workers remain idle and are just about to run where they pay more and the situation is more stable.

In order to find a way out of the situation somehow, they decided at the suggestion of V. Matushkin, chief of the Railcars Service, to put mazut into the tank cars with the bitumen residues for the central heating plants in Balakovo, Zorinskoye and Pokrovka (all in Saratov Oblast). This was the consideration: while the mazut is hot, they have time to take it. And the bitumen, as the power workers attested, burns well in the furnaces of the central heating plants.

Six impellers have already delivered about 20,000 tons of the furnace mazut to the TETs and helped to correct the problem of supplying heat for the oblast's industrial cities. The Saratov Refinery, which managed to avoid stopping basic production because of the lack of capacities, also benefited.

However, as before there is nothing to turn over to the neighboring Kuybyshev Railroad: the Volga Railroad itself was short over 900 empty tank cars.

"What is the reason for such a situation?" I asked A. Kronik, the deputy chief of the Transport Service.

"This is all the result of the main administration's confusion. The shipment of petroleum products on the railroads has become essentially out of control. This is the reason for all the problems. Well, there is a Liquid Freight Administration, although it is in the position of an orphan in the main administration. Here is a fresh example: being aware that the railroad is failing to make shipments, they ordered the North Caucasus Railroad to send us empty cars. They sent 233 tank cars in several trains, but only via the remote junction of Trusovo. And they had to travel over the entire railroad to get from there to the filling points. Moreover, 120 cars came in organized consists, but the remainder came in transit consists destined for the South Urals Railroad. What are we supposed to do, make them up again and turn the filling stations into classification yards? Ridiculous! And this is why the plan is failing."

Lately we have been losing much of the efficiency that was built up. Three of the managers in the Ministry of Railways administration have been replaced in 2 years. Those coming in their place have a very vague conception of this complicated and important work. There was a good dispatching staff there which held the traffic on the liquid freight routes under control. Unfortunately, they abolished it. Fifteen such consists of eight-axle cars were returned to the Volga Railroad. They ran between the stations of Tatyanka, Neftyanaya, and Tuapse on the North Caucasus Railroad. The fuel was being moved quickly. After all, the workers handling them did not require that the cars be washed and steamed before repeat fillings.

A system was worked out for supplying empty cars to the lines. The Ministry of Railways notified them of this a day or more ahead of time, and they were prepared to receive them locally. They knew the train numbers and what products were in the tank cars...

Now, according to A. Kronik, everyone in the main administration is ordering liquid freight about, but no one takes responsibility for the failures. All the lines shipping petroleum products are failing to meet the planned targets.

There are no representatives of the railroads which would have prepared the shipping lists at the filling points. They would have enabled those locally to know beforehand what was being carried in the tank cars and how to handle them: whether to wash them or to dispatch them right away for loading. But this way everything is driven around together. Tens of thousands of specialized cars are roaming from line to line like restless souls.

They made a record of the empty cars in the Saratov Division that come from the Southeastern Railroad through the station of Blagodatka. The shipping lists indicated that they were delivering gasoline, but in point of fact it was another petroleum product. Only 10 to 14 of the 200 cars turned out to be carrying gasoline.

The solution is for the main administration to manage, and not permit the matter take its course. Dispatcher staffing must be brought up to strength with skilled employees, the drawing up of shipping documents must be strictly monitored, and empty tank cars must be sent over routes that have been organized exclusively. Perhaps then something will be put right.

New Method for Cleaning Tank Cars

904H0103D Moscow GUDOK in Russian 11 Jan 90 p 2

[Report attributed to NAUKA I ZHIZN, Issue No 5 of 1989: "A Shower for a Tank Car"]

[Text] An original method has been developed to clean railroad tank cars of the petroleum product residues that were not emptied.

Millions of tons of petroleum products are transported in railroad tank cars each year. This method of delivery is very convenient. The loads go directly to warehouses and filling stations in relatively small consignments. But tank cars also have drawbacks. It is difficult to unload viscous and congealing products from them, such as mazut, paraffin, bitumen, and asphalt, for example. Particularly difficult situations arise during the cold season, when the cars stand idle for several days, waiting for the freight to thaw out so that it can be poured through an opening in the bottom.

V. Lenkin, a scientist at the Leningrad Institute of Railroad Transport Engineers, proposed a unique solution to the problem. He invented a device for hydrothermodynamic unloading of the tank cars with the aid of the petroleum products themselves.

The new device works in the following manner. A pressure pipeline with a nozzle lowered inside is installed on the tank car's top lid. Then a heated liquid petroleum product is fed into the tank car through the pipeline under pressure. Owing to the undulating notches in the nozzle, the discharge spray takes on the shape of a fan. This warm shower quickly washes away the congealing mass and cleans the car.

Specialists estimate the economic gain from the reduction in time to unload one tank car at 800 rubles. Taking into account that tens of thousands of tank cars are being used in the country, the benefit from the invention is obvious. The new device has been tested at a number of Lenbytkhim enterprises, and it will be introduced on a large scale this year.

Line Maintenance Problems Examined

904H0109A Moscow GUDOK in Russian 16 Jan 90 p 1

[Article by N. Davydov: "It Will Carry—It Will Not Carry"]

[Text] On 29 December of last year, a commission headed by G. Lukin, chief engineer of the Maloshuyskaya track subdivision, inspected the track on the Shundanets-Maloshuyka line. A defective rail, which required immediate replacement, was detected at kilometer No 184. Thank goodness, there were rails in stock. However, either the New Year mood had already seized everyone or for some other reason, they decided differently: They reduced speed to 40 kilometers an hour and went home.

Less than three days later—towards morning of 1 January—a wreck occurred at this very spot. Because the rail broke under freight train No 2223, 17 cars were derailed. Approximately 150 meters of track were damaged. The interruption in traffic exceeded 12 hours.

It is difficult to understand what the team leader, road foreman and chief engineer of the line were thinking when they left a delayed action mine on the track. You see, having reduced speed on the curved section, they placed a greater load on the inner thread where the defective rail was located. Did they really hope that it would somehow carry the load?

Otherwise, how can one explain the irresponsibility and lack of control and the subsequent wrecks that followed this on the North Caucasus, Azerbaijan and East Siberian mainlines. On 7 January, a break occurred in a rail under a freight train on the Korshunikhha section of the Angarskaya track subdivision. As a result, the rear gondola car loaded with ore left the track and cut off the neighboring track. A wreck had already occurred on it. All of this during the first 10 days of January! Without mentioning the very serious instance of a locomotive hitting a team of power engineering specialists which was crossing the track near the station of Zaporozhye-Levoe. There were human victims here.

The explanations by I. Minko, chief of the Zaporozhskaya subdivision's signaling and communications system, of the reasons for the accident hardly satisfied any of the participants in the recent selective meeting devoted to analysing the situation that has now taken shape with respect to traffic safety. Too dear a price was paid for the mistake that was made three years ago when installing the automatic devices.

There is no, and cannot be, any justification for the fact that 123 cases of defects in work were allowed during one day—10 January—through someone's fault. Of them, there were eight on the Baykal, six on the West Siberian, four on the Kemerovo, nine on the South Urals, 11 on the Sverdlovsk, 10 on the Central Asian, seven on the Donetsk, five on the Northern, six on the Gorkiy, etc. You see, each of these cases is a potential precondition for an accident or a wreck, whether it be the breakdown

of freight; an unauthorized change in the signaling, interlocking and blocking system; breaks in railcar axles; disengagements of automatic couplers; or the deliberate turning off of safety equipment by a locomotive crew.

The latter is especially intolerable! Have we really reached such anarchy that we are capable of placing the lives of hundreds of passengers at enormous risk? You see, that is how it is necessary to evaluate the actions of the locomotive crew headed by engineer Melnikov from the Baladzhar depot on the Azerbaijan Railroad at the very end of December last year.

It seems that democratization, glasnost and pluralism of ideas have hidden or pushed to second place for individual railroad workers the discipline and responsibility without which transport work is simply unthinkable. The increasingly frequent holes in safety are leading to a sharp slump in traffic. What can one expect in the future if more often than not instances of the failure to observe technical operating rules and official instructions and contempt for control functions on the part of road and division directors, the inspection staff and public inspectors for traffic safety manifest themselves.

If everyone, like G. Lukin, counts on the fact that it will "carry with luck," an increase in both moral and material losses will be unavoidable.

Computer Assists Donetsk Railroad Operations

904H0103C Moscow GUDOK in Russian 11 Jan 90 p 1

[Text] A personal computer has been installed by employees of the Information Computer Center of the Donetsk Railroad at the work position of the line's senior dispatcher. Two or three minutes are required to obtain the information needed. He only has to set up several figures and the answers are illuminated on a seven-color screen. As an example, the display can tell the dispatcher how many trains have been received and turned over at each of 13 junctions over a specific period of time. The computer will also give information on any train at a makeup station and its assignment: the number of empty and enclosed cars, flatcars, and tank cars; the weight of the train; and where they are coming from and going. The train situation at any station can be determined by selection as well. Moreover, the computer will prompt where to send one consist or another, to select the best route, and even how to rule out oncoming traffic. And for better orientation, the dispatcher will be able to take an interest in the time at any minute: an electronic clock and the day and date are illuminated on the screen.

Azerbaijan Rail Development Noted

904H0109C Moscow GUDOK in Russian
14 Jan 90, p 1

[Article by V. Shulman, TASS correspondent for GUDOK: "How The Railroad Is Developing"]

[Text] Baku—A joint decree of the Azerbaijan SSR Council of Ministers and the USSR Ministry of Railways has outlined the main directions in the development of Azerbaijan's steel mainline, which connects the country's railroad network with the Transcaucasus.

E. Abdullayev, the chief of the railroad, tells how this decision will be implemented in the republic and what measures are planned in connection with the significant increase in freight volumes:

"The development will occur at outstripping rates, especially on the southern avenue. This is connected with the increase in the industrial and agricultural potential of the Nakhichevan ASSR and a number of rayons and cities in Azerbaijan. In order to insure the timely movement of the increased number of freight trains on this avenue, it is already necessary to lengthen the track on the Alyaty-Beyuk-Kyasik section this year, complete the designing of the Kazi-Magomed Station and begin the construction of a second track on a number of the railroad's sections.

"During the compiling of plans to expand the mainline, special attention is being paid to the construction of a bridge across the Kura in the vicinity of the city of Ali-Bayramly and the electrification of the Imishli-Dzhulfa section which connects the republic's center with its southern rayons. This will sharply increase the travel speed of trains on the route and will raise the effectiveness of transport shipments. At the same time, other sections and railroad stations, where the reconstruction of track facilities and the construction of dispatching centers, communications lines, railcar inspection parks, and dozens of other installations of production significance are provided for, will also be developed.

"The new decree provides for developing the railroad's social area and accelerating the construction of housing settlements, hospitals, cultural houses, schools, kindergartens, and sports complexes for the railroad workers and their families in various regions of the republic.

"In order to fulfill what has been planned, the railroad workers are strengthening their own construction base and enlisting the services of a number of ministries and departments in Azerbaijan. In the very near future, it will be necessary to regulate a number of questions connected with the delivery of construction materials and structures."

Ministry, Donetsk Railroad Economic Disagreement Aired

904H0123A Moscow GUDOK in Russian
24 Jan 90 pp 1, 3

[Article: "There Cannot Be Two Truths"]

[Text]

"Conflict Is Inevitable"

This was the headline used in the 11 January issue of GUDOK for an interview with A. Chernomazov, chairman of the Donetsk Railroad's dorprofsozh [rail transport workers' trade union road committee], in which he said that the dorprofsozh's presidium had stated its categorical disagreement with the norms for the deductions from profits to be contributed to the centralized fund for the development of production, science, and technology, as set by the Ministry of Railways for the current year. Ordinarily the editors have to wait a long time for the official replies to critical items which have been published; sometimes they even have to remind the responsible officials of the ministry or other high-ranking organs that our readers want to know what measures have been taken with regard to such newspaper items. But this time the reaction was, so to speak, immediate. Before a week had elapsed, an official document was received by GUDOK; it was signed by S. Nikulin, deputy chief of the Main Administration for Centralized Bookkeeping and Finances. Such efficiency can only be welcomed. But the reply was written in such a categorical tone that the editors deemed it necessary, after letting A. Chernomazov, the dorprofsozh chairman, become acquainted with its contents, to grant space in the pages of GUDOK to both of them at the same time, thereby presenting the clash of two opinions, two viewpoints. Well now, pluralism is pluralism.

Why Make Such A Fuss and Bother?

S. Nikulin, deputy chief, Main Administration for Centralized Bookkeeping and Finances:

The Ministry of Railways has attentively examined the small item entitled "Conflict Is Inevitable," which appeared in the 11 January 1990 issue of GUDOK, and it considers that the appearance of such assertions in the press bears witness to the economic illiteracy and incompetence of the leading officials of the economic services of the Donetsk Railroad, as well as to their lack of business-like contacts with the trade-union organs.

As we have already informed the editors, the additional revenues amounting to 5,404,000 rubles which will be received in 1990 from increasing the freight rates for railroad hauls have been earmarked by the USSR Ministry of Finance for the following purposes: to pay for the deliveries of freight cars and containers, expenditures in connection with the higher cost of diesel fuel, compensating the transport organizations for the more expensive rates, financing institutions of education and health care, financing structures having a high degree of readiness, centralized capital investments, and dues which are contributed to the state budget.

If we take into consideration the fact that prior to 1990 the payment for delivery of freight cars and containers, as well as financing institutions of education and health care under the Ministry of Railways system, were handled by means of funds from the state budget, then we can see that the railroads and the Ministry of Railways,

as a whole, are not to receive a single ruble from the rate increase in 1990 for solving the railroaders' production and social problems.

In connection with the decision adopted by the USSR Supreme Soviet concerning the increase in the deductions to be contributed to social insurance and the earmarking of these sums to increase pensions, the expenditures of the Donetsk Railroad have been increased by 7.8 million rubles, and this is the total by which the railroad's profits subject to distribution are to be decreased.

The Ministry of Railways has conveyed to the Donetsk Railroad the control figure for the profits for 1990; it amounts to 285.3 million rubles. The material incentives fund and social development fund were calculated by proceeding from the norms established in 1987 in accordance with the five-year plan for the formation of these funds. And they were specified as 15.2 and 17.1 million rubles respectively. The fund for the development of production, science, and technology, by proceeding from the limit of capital investments for production purposes (24.4 million rubles) and other needs, has been adjusted by a percentage of the reduction of the annual plan for profits, as compared with the five-year plan (5.3 million rubles). Moreover, the dues which are collected and contributed to the state budget, the economic incentive funds, the limits of capital investments, and the expenditures of the railroad's own needs are fully provided for by sources of financing.

However, this railroad, despite the ministry's recommendations, did not agree with the proposals, and for 1990 plans a profit amounting to 272.9 million rubles, which is 12.4 million rubles less than the control figure of the Ministry of Railroads. Such planning has reduced this railroad's economic-incentives fund by 10.5 million rubles and does not allow the railroad to guarantee its normal production and financial activities. Under the conditions of adopting somewhat relaxed plans as to profits, as well as the lack of initiative in seeking out increased revenues, the Donetsk Railroad will not be able to effectively implement the plan for social development which it itself has worked out.

According to the computations performed by the Ministry of Railways' Main Administration for Centralized Bookkeeping and Finances, the Donetsk Railroad has at its disposal internal economic reserves totaling more than 28 million rubles, including 16.7 million in fines for violating freight-hauling provisions, money unaccounted for when drawing up the plan: 3.1 million in amortized deductions contributed to fully restoring fixed capital assets, 400,000 for leasing payments, 1.1 million for mobilizing internal-management reserves for balancing capital investments, and 6.5 million for additional collections.

Taking into consideration the tense social situation which has evolved on this railroad, the Ministry of Railways has sought out the possibility of allocating

5,120,000 rubles to the Donetsk Railroad in 1990 by way of a special exception. This money would come from the Ministry of Railways' special fund for the development of production, science, and technology and would go into building housing and social-type facilities. Moreover, in accordance with a decree of the USSR Council of Ministers and the AUCCTU, dated 18 November 1989, No 989 (Ministry of Railways Directive No 463, dated 27 November 1989), the Donetsk Railroad has been allocated for 1990 a supplementary wage fund in order to introduce bonuses for working the evening or night shifts, and for recruiting staff members whose principal activities are directly linked with ensuring the safety of train traffic and passenger service; such a fund is to total 25 million rubles.

Taking the above-cited facts into consideration, I would like to remind Comrade Chernomaz, the chairman of the Donetsk Railroad's dorprofsozh, that the financial situation in this country as a whole and in rail transport in particular does not give anybody grounds to hope to obtain funds from any other source than those earned by the labor collectives on their own. Before appearing in the press with such assertions as he did, he should have made a detailed analysis of the essence of this matter along with specialists in the railroad's economic services.

Command-Type Pressure?

A. Chernomaz, chairman, Donetsk Railroad Dorprofsozh:

To my way of thinking, Comrade Nikulin's opinion in its basic positions differs little from that expressed in the 16 January 1990 issue of GUDOK by Comrade Martynchuk, another leading official of the Main Administration for Finances. I am not going to enter into a polemic with the author of the reply published in today's issue as to such details as the level of competence of the financial staff members of the Donetsk Railroad or the nature of their contacts with the dorprofsozh's presidium. Perhaps something is more visible from Moscow for Comrade Nikulin than it is for us. However, our evaluation is different.

There is something else which evokes annoyance—the invidious persistence of the Ministry of Railways' financial officials in attempting to convince the workers of this sector to voluntarily agree to a sharp reduction of the funds for socioeconomic development, which are already quite low even without this.

In 1988, when the railroads were being converted to cost accounting and self-financing, the material-incentives fund per railroader was already planned to be reduced by one-fourth less than the average for industry as a whole. In 1989, for reasons independent of the Ministry of Railways, these funds were reduced by another one-half. Comrade Nikulin seems to have forgotten that, at the end of this year just past, the Ministry of Railways was compelled to adopt a series of "firefighting" measures, including even paying for supplementary privileges by

means of the economic-incentives fund. It thereby succeeded, to a certain extent, in normalizing the situation in the labor collectives and removing the social tension.

Naturally, the level of payments which has evolved must also be maintained in the future so as not to cause dissatisfaction among the working people. Transportation employees, after all, are not demanding some kind of luxury; they do hope that the leading officials in this sector will achieve at least an approximation in the living standards possessed by their fellow-workers in industry as a whole.

But the government, instead of supporting these legitimate demands, has decided to tighten the screws even more. Evidently, some sort of mythical, grandiose reserves supposedly possessed by this sector have led the USSR Supreme Soviet and the government into a delusion; and they have adopted decisions which have created social tension within the labor collectives.

In the situation which has evolved, I do not always understand the position taken by the secretariat and the responsible officials of the trade union's Central Committee. In the present-day, specific situation with the establishment of exorbitant norms for this sector, all their boldness has boiled down to the fact that they have not signed the documents which were sent to the localities. Instead of allowing them to appear for themselves.

In an item recently published in GUDOK, Comrade Tsarkov, chief of a Central Committee department, did not refrain from delivering a "lecture" on the need to utilize reserves somehow visible to him in Moscow. In the localities, the impression is being created that certain leading officials of the Ministry of Railways and the trade union's Central Committee have not understood the acuteness of the socioeconomic situation which has evolved in this sector, particularly in the Donets Basin. In operational style and methods, administrative-command pressure is being maintained and even intensified; methods of force are considered virtually the only way to resolve conflicts.

I am convinced that our sector has not avoided the crisis of production, economic, and social relations. The major key of the recent All-Union Conference of Railroaders scarcely reduced the depth of this crisis. The situation requires the most rapid possible, objective understanding and the working out of solutions which will forestall further exacerbation of the situation in this sector. I consider that for this purpose we must utilize the next, upcoming plenum of the trade union's Central Committee, which is scheduled to take place on 1 February.

The editors are refraining from giving their own appraisal of the positions taken here by the two parties to this polemic. We think that the most correct appraisal will be provided by GUDOK's readers themselves.

Because, after all, the issues which have been raised in this item affect the interests of all railroaders without exception.

At present, within the Ministry of Railways, the leading officials of the Main Administration for Finance, in conjunction with the leading officials of the railroads, the dorprofsozh's, and STK7s [expansion unknown] are attempting to find an acceptable solution together and to find a common point of view. Let's hope that things work out that way.

So far the situation remains extremely tense. Despite the negotiations within the ministry and the trade union's Central Committee, the editors of the newspaper GUDOK continue to receive alarming telegrams from the localities. Their leitmotif is one and the same: anxiety for the fate of the program which has been outlined for the solution of social problems.

Moscow Subway's Kaluga Line Upgraded

904H0109D Moscow GUDOK in Russian 14 Jan 90 p 4

[Article by B. Bukharina: "The Road to Bittsevskiy Park"]

[Text] Moscow—The Kaluga Line of the capital's subway system has become 3.5 kilometers longer. The builders are handing over two new subway stations in the southwest part of the capital for operation—Yasenevo and Bittsevskiy Park. For several years, Novoyasenevskiy Prospect and the streets adjacent to it have been a large construction site. The inhabitants of the new Yasenevo microrayon have steadfastly endured all the inconveniences so that the doors of the new subway terminal would be opened sooner. The washers are now polishing them.

They built the underground railroad from the existing station of Teply Stan to the area of Bittsevskiy Park basically using tunnel shields, which are close to the surface, and the open-pit method. The most complicated section was at the beginning of the route and it fell to the lot of the sixth tunnel detachment collective.

K. Nosov, the section chief, recalls: "'Lenses' were frequently encountered on our route for a distance of 150 meters. Subway builders well know how each encounter with shifting sand can be unforeseen. A special page was the tunneling under Novoyasenevskiy Prospect. We moved 85 meters under the highway and traffic was not stopped on it for a single day. In a word, the work of the subway builders did not affect the condition of the city's lively transport mainline in any way."

On the section between the stations of Teply Stan and Yasenevo, subway builders from Minsk, who came to help, worked with the Muscovites. The Minsk people assembled the tunnels using whole-section linings and successfully used the "wall in the ground" advanced construction method.

Both new stations are located under Novoyasenevskiy Prospect. Yasenevo is at the intersection of Yasnogorskaya and Tarusskaya streets; and Bittsevskiy Park is at the very end of the prospect near the entrance to the recreation area. In their construction, both of them are columned; however, at Yasenevo, they used the new technology for building stations of the columned type with an overhead covering made of solid reinforced concrete. They put the concrete on the overhead covering with the help of a special mobile form immediately for the entire section of the subway terminal.

B. Khikhlikha, the chief specialist at the Metrogiprotans Institute, and V. Alikhashkin, the former director of that institute, developed the new technology. The subway builders of Construction Installation Administration No 11 implemented it. Both the designers and the architects were satisfied with the quality of the builders' work.

With the development of the new technology for constructing columned stations with a solid overhead covering, the architects and designers have received an opportunity to diversify the subway stations being built. The solid overhead covering on columns can be used not only in subways but also for industrial buildings.

Each of the new stations has its own color which was programmed in advance. Despite all the difficulties with the finishing materials, architects N. Shumakov, N. Shurygina, G. Mun, and V. Volovich managed to preserve and defend their concept. The shift of active color from one station to the other is already being tracked from Teplyy Stan. This subway terminal is in bright red tones; Yasenevo is in a light brown golden color, and, finally, Bittsevskiy Park—in a rich dark green or silver fir-tree color.

Aluminum found a new application in the trimming of the starting station. Paneled elements for the track walls were made from it at the Istrinskiy Giprouglemash Test Factory—4,000 items for Yasenevo and 3,400 for Bittsevskiy Park. Each station has its own form and light. The aluminum items are covered with a special enamel.

The use of aluminum to finish the track walls at the two new subway stations is another step forward in the search of architects for new materials. Not only they but also the builders and finishers were satisfied with the results. You see, they mounted the aluminum items "dry"—without a solution.

"We thought about fastenings and very quickly undertook the assembly. The work was civilized, clean and accurate...we were saved from labor-intensive damp

processes under underground conditions. And it turned out beautiful!" This is the viewpoint of V. Budayev, a section chief in the special work administration of the Moscow Subway Construction Administration.

Besides metal, traditional materials—granite and marble—were also used to finish the subway stations. The round columns at the Yasenevo station were faced with curved brownish plates of marbleized limestone from the Gorovskiy deposit in Azerbaijan and the inserts on the track walls and columns of Bittsevskiy Park—with rosy red Baykalskiy "Burovshchina" marble.

They are no escalators at the new stations; handy flights of stairs and many exits with pavilions are at the service of the passengers. There are two vestibules at each subway terminal.

It is planned to construct a large architectural complex near the Yasenevo station. Two exits have been built here—to a future group of buildings—at the request of city organizations. A sculpture composition by A. Burganov: a man and a woman with children symbolizing the happiness of a family, has also been placed next to them. The composition is composed of sculptures made of copper against a black background design.

The very location of the Bittsevskiy Park station prompted the subject of its artistic design. Here is the ecology and animal world of the Moscow area. The thematic design is concentrated at the entrance to Bittsevskiy Park. A sculpture mobile or as the builders say—a mast performing the role of a weather-vane has been mounted here. There are two tiers on this weather-vane: the upper one—the sun, and the lower one—with sails and wild animals. Specialists in the mechanization administration, the monument decorative art combine and special work administration and cooperative members helped L. Berlin, the sculptor, to execute his idea.

A special place in the station's design was always allocated to lighting. There is also an innovation here. Whereas at the Bittsevskiy Park station, the light is the traditional luminescent lights, lights with DRL lamps are used for the first time at Yasenevo. All of the switching and adjustment equipment is concealed in the lamp body. The original chandeliers for Yasenevo were made in the mechanization administration of the Moscow Subway Construction Administration.

N. Shumakov, one of the designers and an architect in the Metrogiprotans Institute, has said: "In creating the shape of these two stations, we managed to talk in the language of the subway, that is, everything should be laconic and beautiful. The passengers will say whether we have achieved this or not."

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